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**Seventh
Semi-Annual
Report**

January - June 1990



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Commonwealth of Massachusetts

A. Joseph DeNucci, Auditor



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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A JOSEPH DENUCCI

AUDITOR

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October, 1990

His Excellency Michael S. Dukakis, Governor
Honorable William M. Bulger, President of the Senate
Honorable George Keverian, Speaker of the House of Representatives
Honorable Patricia McGovern, Chairman of the Senate Ways and Means Committee
Honorable Richard A. Voke, Chairman of the House Ways and Means Committee
Honorable Members of the General Court:

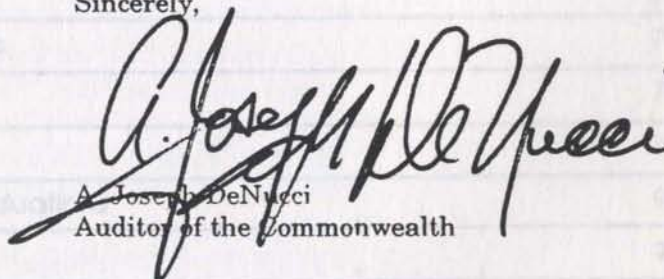
I am pleased to submit herewith the seventh Semi-Annual Report of Audit Results and Activities of the Office of the State Auditor.

As I near completion of my first term as Auditor of the Commonwealth, I remain committed to making the Office of the State Auditor (OSA) a catalyst for administrative and programmatic improvement in state government through audit report recommendations, specialized technical assistance, and legislative initiatives. In this way the OSA helps to safeguard and enhance the Commonwealth's assets, and also assists auditees in creative solutions to improve their financial and managerial operations.

This Semi-Annual Report includes all audits issued between January 1, 1990 and June 30, 1990. Audit results, organized by recurring findings within sectors of government, highlight systemic problems as well as broad areas in need of strengthening. As in past reports, there is a continued emphasis on corrective actions taken by agencies in response to previous OSA audit results and recommendations. Also included are legislative studies and mandate determinations completed by the OSA's Division of Local Mandates. Finally, there is again a section on OSA legislative initiatives which supplement individual audit results and recommendations by suggesting comprehensive corrective action.

In submitting this Semi-Annual Report, I would again like to thank the Administration and members of the Legislature for supporting my initiatives. I look forward to continuing to work with you to improve the quality of state government and the services that the Commonwealth provides to its citizens.

Sincerely,


A. Joseph DeNucci
Auditor of the Commonwealth

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Office of the State Auditor
A. Joseph DeNucci, Auditor

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January - June 1990

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Office of the State Auditor: Authority and Responsibilities

The Office of the State Auditor (OSA) operates under the direction and control of the State Auditor, an independently elected constitutional officer.

The OSA provides the Governor, the Legislature, auditees, oversight agencies, and the general public with an independent evaluation of the various agencies, activities, and programs operated by the Commonwealth. The State Auditor is mandated, under Chapter 11, Section 12, of the Massachusetts General Laws, to conduct an audit at least once every two years of all departments, offices, commissions, health and higher education institutions, and activities of the Commonwealth, including its court system and Authorities. Not including special audit projects, the number of entities requiring audit coverage totals approximately 750. The Auditor also has authority to audit the thousands of vendors under contract with the Commonwealth and its instrumentalities, as well as federally aided programs. In addition, the Auditor is responsible, under Chapter 11, Section 6B, of the Massachusetts General Laws, for the Division of Local Mandates, which is charged primarily with determining the financial impact of legislation on cities and towns.

The OSA conducts both financial and performance audits in accordance with "Government Auditing Standards" issued by the Comptroller General of the United States. These standards are known in the profession both as Generally Accepted Government Auditing Standards (GAGAS) and as the Yellow Book standards.

OSA audit activities include the following objectives:

- Attesting to the fair presentation, accuracy, and reliability of an auditee's financial statements;
- Determining whether the Commonwealth's resources are properly safeguarded;
- Determining whether such resources are properly and prudently used;
- Determining an auditee's compliance with legal and regulatory requirements;
- Evaluating management's economy and efficiency in its use of resources;
- Determining and evaluating a program's results, benefits, or accomplishments; and
- Ensuring that all audit results are fully disclosed to the public and the auditees.

All OSA audit results and recommendations are intended to assist agency and program administrators by indicating areas where accounting and administrative controls, financial operations, program results, and efficiency and effectiveness can be improved, and by providing technical assistance where appropriate. An important component of most audits is the exit conference, during which the auditee is given an opportunity to respond to the audit and its recommendations. In short, the OSA is not simply a critic but is an agent, an advocate, and a catalyst for improved management and delivery of government services.

Audit Results, Recommendations, Initiatives, and Corrective Actions: Overview

During the report period January 1, 1990 through June 30, 1990, the Office of the State Auditor issued 197 audit reports covering: Authorities, human services agencies, education entities, and various other state activities. For a complete listing of audit reports, see Appendix I on page 93. In these reports, the OSA disclosed millions of dollars in financial and operational deficiencies and also provided recommendations intended to safeguard the Commonwealth's assets and to improve the effectiveness and efficiency of governmental operations.

Audit Results

Inadequate Accounting and Administrative Controls

OSA reports of planning, redevelopment, transit, and independent authorities disclosed various accounting, monitoring and other internal control weaknesses. Such deficiencies can result in unnecessary expenditures and lost revenues. Examples include:

- Brackton Regional Transit Authority did not have adequate documentation for travel and meeting expenses totalling \$42,644. As a result, the Authority could not be certain that this money represented appropriate expenditures.
- Massachusetts Bay Transportation Authority (MBTA) did not always adhere to its established accounts receivable policy in the collection of overdue pass-program receivables. As a result, the MBTA failed to collect a receivable of \$73,546 from a company that had previously given the Authority checks returned for insufficient funds.
- Massachusetts Convention Center Authority incurred additional

Each type of entity audited by the OSA is governed by particular laws and regulations; is required to maintain financial records properly; and, of course, is expected to operate economically and effectively.

OSA audits are not intended to sensationalize, but rather to present an accurate appraisal of financial management, legal compliance, and, where appropriate, program effectiveness.

Audit results and recommendations are important to auditees, and in a majority of instances auditees have indicated a willingness to take appropriate corrective action. Audit results, when viewed in the aggregate, give focus to problem areas for legislators and administration officials and, along with critical individual audit results, are the basis of the OSA legislative and administrative initiatives and recommendations.

The following information clearly demonstrates that OSA audits not only have promoted the safeguarding and enhancement of the Commonwealth's assets but have also assisted auditees in creating solutions to improve their financial and managerial operations.

Need for Repairs and Renovations

Authority Audits

During the report period, the OSA released 97 audit reports on various housing, transit, redevelopment, planning, recreation, and independent authorities. These included a report on the activities of the Executive Office of Communities and Development, 81 reports on housing authorities, and reports on the Massachusetts Convention Center Authority and the Massachusetts Bay Transportation Authority Southwest Corridor Project. These reports identify several recurring audit results which, if addressed, will improve the financial management of the Authorities, thereby helping to safeguard state and federal funding as well as the interests of public housing tenants and applicants.

Audit Results

Independent, Planning, Redevelopment, and Transportation Authorities

Inadequate Accounting and Administrative Controls

OSA reports of planning, redevelopment, transit, and independent authorities disclosed various accounting, monitoring and other internal control weaknesses. Such deficiencies can result in unnecessary expenditures and lost revenue. Examples include:

- Brockton Regional Transit Authority did not have adequate documentation for travel and meeting expenses totalling \$42,644. As a result, the Authority could not be certain that this money represented appropriate expenditures.
- Massachusetts Bay Transportation Authority (MBTA) did not always adhere to its established accounts receivable policy in the collection of overdue pass-program receivables. As a result, the MBTA failed to collect a receivable of \$73,544 from a company that had previously given the Authority checks returned for insufficient funds.
- Massachusetts Convention Center Authority incurred additional incentive costs of over \$4.2 million to accelerate completion of the Hynes Convention Center Project. However, despite this expenditure, substantial completion was not achieved until May 5, 1989, or 491 days beyond the original agreed-upon completion date.
- Massachusetts Convention Center Authority (MCCA) paid \$900,000 for architectural fees based on insufficient supporting documentation. Without obtaining such specifically required data as scope of design services performed and hours worked, MCCA had limited assurance that the amount billed was accurate.

Need for Repairs and Renovations

Problems at a newly constructed project resulted in additional construction costs. In another case, deteriorating physical conditions potentially threatened an entity's financial condition. In both cases, potential safety hazards existed.

- Massachusetts Bay Transportation Authority's Southwest Corridor Project had water-leakage problems at two newly constructed stations, New England Medical Center/South Cove and Ruggles Street. These water leaks resulted in the Authority's incurring over \$1.3 million in additional construction costs.
- Massachusetts Convention Center Authority's Boston Common Parking Garage had structural deterioration which warranted an aggressive repair program. Among repairs necessary are removal and replacement of deteriorated concrete, the sealing of cracks and construction joints, and installation of a protective waterproofing system on all top deck surfaces. The renovation program is needed to halt further deterioration of the Parking Garage, which is an important revenue-producing asset.

Executive Office of Communities and Development

The Executive Office of Communities and Development (EOCD) is responsible for annually dispensing approximately \$600 million in federal and state funds, mainly to local housing authorities, for such purposes as subsidizing housing authorities' operating deficits, constructing new housing units, rehabilitating existing units, funding the state's Leased Housing Program and Supportive Services Program, and administering the federal Fuel Assistance Grant Program and various municipal development programs. EOCD's management is responsible for establishing and maintaining a system of internal control over these funds as well as for overseeing and administering the Commonwealth's various housing programs. The current OSA audit disclosed that several prior audit findings had been corrected (see p. 19), and also discussed one new topic, EOCD's Supportive Services Program.

EOCD's Supportive Services Program (SSP)

The Supportive Services Program was established by EOCD to promote supportive social services, educational enhancements, and economic self-sufficiency among public housing tenants. During fiscal year 1988, EOCD entered into contracts totalling \$5.3 million with local housing authorities (LHAs) to provide supportive services to eligible public housing tenants. Although the LHAs have consistently achieved their annual outreach and enrollment levels, the following issues need to be considered when evaluating the success of the program:

- Neither EOCD nor the LHAs knew exactly how many participants have left public housing or have become economically self-sufficient as a result of receiving the services offered by the SSP.
- Tenants who possessed only minimal education and/or job skills were confronted with a financial disincentive if they completed the SSP and then obtained only marginal employment. Many tenants who received public assistance gained more by continuing on this aid, which includes medical benefits, than by entering low wage jobs. Some single mothers also identified lack of adequate day care as a major obstacle in their attempt to successfully complete their SSP training and secure employment.

Housing Authorities

Inadequate Accounting and Administrative Controls

OSA reports on local housing authorities revealed various recordkeeping and internal control weaknesses that could adversely affect their operations and distort financial statements filed with the Executive Office of Communities and Development (EOCD). Proper controls assist an Authority to maximize revenue potential and to avoid incurring unnecessary operating deficits, thereby potentially increasing funds available for its programs. The following are examples of areas where controls needed improvement:

- Attleboro Housing Authority overspent the total budgeted amounts allowable by EOCD for non-utility items by \$99,695 for fiscal year 1988 and by \$184,970 for fiscal year 1987. As a result of these overruns, which caused deficits in reserve accounts, the Authority may have required increased operating subsidies from the Commonwealth.
- Easton Housing Authority, in totalling its receipts, did not include \$5,234 in washer and dryer income and \$121 in interest income for the fiscal year ended March 31, 1989. As a result, the Authority's net income earned was understated.
- North Reading Housing Authority did not maintain proper accounting records for its Modernization and Development Programs. This increased the potential that errors could occur in financial information reported to EOCD.
- Orleans Housing Authority did not adequately monitor its contractual agreement for the provision of certain residential service programs by the Department of Mental Health, which resulted in unnecessary expenditures. For example, state funds were used to pay approximately \$75 per square foot for the rental of office space that remained vacant, while rates for comparable space in the local area were found to be \$10 - \$14 per square foot.
- South Hadley Housing Authority exceeded its total non-utility budget by \$2,270. In addition, the Authority was operating without an approved management plan establishing written guidelines for personnel, budget, finance, and tenant policies, and therefore lacked the basic framework for controlling its administrative operations.

Inadequate Control Over Property and Equipment

The Management Handbook for Local Housing Authorities issued by the Executive Office of Communities and Development (EOCD) requires that housing authorities conduct annual physical inventories of property and equipment. In addition to ensuring accountability of property and equipment, adequate records of inventory serve as a source of insurance coverage information in the event of a casualty loss, as a basis of comparison with the previous year's physical inventory, and as financial planning data. Several reports identified areas where controls needed improvement in order to protect property from possible loss or misuse. Examples include:

- Belmont Housing Authority had not set up a perpetual inventory-card system or recorded the original cost (or fair market value) of all equipment purchased with public funds.
- Brookline Housing Authority's equipment records lacked sufficient information for the Authority to accurately identify and safeguard its property and equipment. The Authority did not conduct annual physical inventories during the audit period and did not record the value of each equipment item on appropriate financial documents. In addition, although the Authority had tagged office furniture and equipment to reflect ownership and numerical asset number, it did not include other non-expendable equipment such as refrigerators and stoves.
- Easthampton Housing Authority did not conduct annual physical inventories of its property and equipment during the audit period, did not maintain adequate records of its assets, and did not record the original cost (or fair market value) of equipment items on the Authority's financial records. As a result, the Authority was exposing its property and equipment to possible loss or misuse.
- Gloucester Housing Authority did not establish adequate controls over physical inventory items. Specifically, the Authority did not have a complete record of physical assets and did not conduct annual physical inventories.
- Halifax Housing Authority did not maintain an adequate record of its fixed assets and did not affix identification tags to equipment items to reflect ownership and numerical asset number. In addition, although the Authority purchased equipment during the audit period, the items were not tagged, nor was inventory-related information put into the appropriate records. The Authority's equipment records, therefore, lacked sufficient information for the Authority to accurately identify and safeguard its property and equipment.

- Haverhill Housing Authority did not in all cases update its property and equipment inventory list and did not always tag equipment items to reflect ownership and identification number.
- Norton Housing Authority did not conduct annual physical inventories of its property and equipment during the audit period, did not maintain adequate records of its fixed assets, did not tag equipment to reflect ownership and identification number and did not establish an inventory value for each equipment item and make the appropriate accounting entries in its financial records. By not following proper inventory-control procedures, the Authority was exposing its property and equipment to possible loss or misuse.
- Rockland Housing Authority's procedures for controlling and safeguarding fixed assets were deficient since the Authority did not conduct an annual physical inventory of its property during the audit period, did not maintain a property and equipment inventory listing, and did not maintain a master list to substantiate the value of equipment shown on its financial statements.
- Webster Housing Authority had not performed the required annual physical inventory count of its non-expendable equipment.
- Winthrop Housing Authority did not have an annual inventory listing and did not record the value of its furniture and equipment on its financial statements.
- Woburn Housing Authority needed to strengthen controls over its fixed assets by recording the valuation of each piece of equipment and by annually reconciling the total of these valuations with the value of equipment shown on its financial statements.

Inadequate Control Over Rental Collections and Rent Redeterminations

OSA reports disclosed that several housing authorities did not ensure that rent increases were in accordance with Executive Office of Communities and Development (EOCD) and Department of Housing and Urban Development (HUD) regulations. In other instances rent collections were not maintained on a current basis. These conditions could result in lost income to authorities or in overcharges to tenants.

- Easthampton Housing Authority had tenants who were delinquent in paying their rent, creating an accounts receivable balance of \$3,498. In addition, one tenant had vacated his unit owing \$1,334, bringing the total accounts receivable balance to \$4,832.

Inadequate Control Over Rental Collections and Rent Redeterminations

Continued

- Fall River Housing Authority did not perform an annual redetermination of rents for tenants in its state-aided housing projects during fiscal year 1988. As a result, the Authority could not accurately determine whether tenants' monthly rent should be increased or decreased, based upon changes in income and/or deductions.
- Hampshire County Regional Housing Authority had tenants who were delinquent in paying their rent, creating an accounts receivable balance of \$4,995.
- Haverhill Housing Authority, in several instances, approved unallowable expenses and/or omitted tenant income in determining tenant rental charges in its family housing programs.
- North Brookfield Housing Authority was not in compliance with EOCD regulations regarding rent redeterminations. OSA reviews of 28 (34%) of 83 tenants' files revealed instances of non-compliance in all 28 cases. There was insufficient documentation for income and deductions, and rent determinations were completed three to six months later than the required dates.

Noncompliance With State and Federal Laws and Regulations

Several housing authorities were not in compliance with various federal or state regulations or statutes. Such noncompliance could result in overspending or in loss of tax revenues. Examples include:

- Haverhill Housing Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to seven individuals during calendar year 1988. As a result, income totalling \$25,750 may have gone unreported to the Commonwealth and to the federal government.
 - Methuen Housing Authority paid certain employees monthly flat-rate travel allowances, contrary to Executive Office of Communities and Development (EOCD) regulations. This resulted in charges to the travel account of \$15,100 which were not in conformance with applicable regulations.
 - Methuen Housing Authority did not issue the required IRS 1099-MISC income information forms to its fee accountants, board members, and independent contractors for calendar year 1989. As a result, income totalling \$40,133 may have gone unreported to the Commonwealth and to the federal government.
 - North Reading Housing Authority did not issue the required IRS 1099-MISC income information forms to two individuals who earned \$4,920 and \$1,600 respectively in calendar year 1988. As a result, this income may have gone unreported to the Commonwealth and to the federal government.
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- Pepperell Housing Authority paid two contractors a total of \$15,030 for modernization improvements in its Elderly Housing Program without publicly advertising for bids, posting notices in public places, or opening bids publicly as required by EOCD regulations and by Section 39M of Chapter 30, MGLs. In addition, the Authority did not execute written contractual agreements with the two contractors or establish contract registers to monitor payments made to the contractors. As a result, the Authority could not be assured that it had obtained the best possible price for the services rendered.
- Winthrop Housing Authority expended \$27,527 for replacement windows and \$10,306 for carpeting without soliciting bid proposals as required by EOCD regulations and by Section 39M of Chapter 30, MGLs. As a result, the Authority could not be assured that it had obtained the best possible price for goods it purchased.

**Noncompliance
With Tenant
Selection
Procedures;
Delays In Filling
Apartments**

OSA reports disclosed that certain housing authorities did not adhere to Executive Office of Communities and Development (EOCD) regulations regarding tenant selection and did not move expeditiously to fill vacant apartments. These conditions could result in lost rental income to the Authorities, as well as depriving eligible low-income persons of housing to which they are entitled. Examples include:

- Ashland Housing Authority needed to improve controls over its tenant selection procedures. Written notifications of eligibility or ineligibility were not on file; control numbers were not assigned to several files; and applicant information was not recorded in the master file and the ledger book waiting list. In addition, during the audit period, six applicants were assigned housing by the Authority although there was no evidence justifying their eligibility and priority status over other applicants waiting to be housed. As a result, the Authority could not be assured that only eligible applicants were granted housing. Moreover, in some cases, eligible persons may have had to wait longer than was necessary or fair for a unit to which they were entitled.
- Attleboro Housing Authority did not periodically update its Master Ledger Book, which contains the Authority's waiting list. In several instances, moreover, ages of applicants were not verified. Since applicants were assigned housing from an outdated Master Ledger Book and since certain required data was not verified, the Authority had limited assurance that only eligible applicants had been accepted or that housing had been assigned to applicants according to priority status. Moreover, if applicants who did not meet eligibility requirements were assigned units, eligible applicants may have been denied housing to which they were entitled.

**Noncompliance
With Tenant
Selection
Procedures;
Delays in Filling
Apartments**

Continued

- North Brookfield Housing Authority needed to strengthen controls over its tenant selection procedures. In many instances, the Authority did not have proper and adequate supporting documentation on incomes, deductions, and assets to substantiate rent calculations and did not indicate on tenants' applications the date and time of receipt of the application, its control number, or its priority category. Because of these deficiencies, the Authority could not be assured that it was properly accepting tenants for occupancy.

**Retention of
Excess
Development
Funds**

The Executive Office of Communities and Development (EOCD) advances funds to local housing authorities for the construction and upkeep of the Commonwealth's public housing units. Excess money that is not returned in a timely manner upon project completion denies the Commonwealth the use of these funds that are provided through the sale of bonds on which the Commonwealth pays interest. Examples include:

- Adams Housing Authority was cited in a prior audit for retaining \$31,160 in excess development funds. As of June 30, 1989, the Authority still had a balance of \$28,900 in excess development funds. As a result, the Commonwealth was denied the use of these funds either to invest or to fund housing elsewhere in the state. The current audit disclosed that EOCD is working with the Authority to resolve this issue.
- Canton Housing Authority, contrary to EOCD requirements, retained \$300,850 in interest income earned on development funds. Section 9-10 of EOCD's Accounting Manual for State-Aided Housing Authorities delineates how interest income earned on development funds is to be used to reduce total development costs. Any residual monies are to be returned to EOCD as excess development funds. As a result of the Authority's failure to follow these requirements, the Commonwealth has been deprived of the use of these funds either to invest or to provide funds for housing elsewhere in the state.
- Hampshire County Regional Housing Authority had retained excess development funds totalling \$440,841 as of December 31, 1988. A prior OSA audit indicated that the Authority and EOCD had not acted promptly and appropriately to return these funds, even though the properties for which these development funds had been appropriated had been occupied for over four years. The current audit disclosed that arrangements to return these funds had still not been made, though the Executive Director had written to EOCD requesting close-out instructions.

Prior Audit Results: Corrective Actions

Revenue Not Maximized

Prudent business practice, such as maximizing interest income, avoiding fines and penalties, and assuring that costs for outside contractors are entirely justifiable, increases monies available for housing services and minimizes operating subsidies from the Commonwealth. Examples of revenue not maximized include:

- Ashland Housing Authority lost \$1,189 in potential interest income because it maintained its Elderly Housing Program's modernization and management funds in non-interest-bearing checking accounts.
- Attleboro Housing Authority paid \$4,935 to an outside contractor for routine maintenance of vacated housing units, a task normally assigned to internal maintenance personnel and therefore considered by the OSA to be unjustifiable.
- Attleboro Housing Authority made no attempt to recover \$500 of unallowed severance pay, \$1,523 of unallowed compensatory-time payments, or \$10,326 of inappropriate settlement payments. These improper payments had all been disclosed in a prior audit.
- Attleboro Housing Authority incurred interest charges and penalties totalling \$2,902 because the Authority had neglected to file required quarterly tax information documents and to submit payroll taxes on time.
- Attleboro Housing Authority lost \$4,042 in potential interest income because it maintained its funds in low-interest-bearing bank accounts. The OSA calculated that if the Authority had invested its average monthly cash balance of \$159,699 in the Massachusetts Municipal Depository Trust Fund account, it could have earned as much as \$18,909 in potential interest income rather than the \$14,867 it actually earned during the audit period.
- Norton Housing Authority lost \$3,474 in potential interest income because it maintained its modernization funds in low-interest-bearing checking accounts. The Authority also had not established a formal investment or cash-management policy, contrary to EOCD's requirements.

Unsafe and Unsanitary Conditions

The two Authorities noted below needed to take further action to correct potentially hazardous conditions.

- Easthampton Housing Authority had unsafe and unsanitary conditions at 2 two-family house sites. The Authority had made progress in removing most debris from the two sites, but needed to make further improvements in order to ensure the safety of tenants living in those units.
- Hampshire County Regional Housing Authority had major structural and maintenance problems at a Family Scattered-Site Housing Program two-family house. As recommended in a prior audit, the Executive Director did notify EOCD of the problems. However, EOCD had not responded to the Authority's request for assistance and potentially hazardous conditions continued to exist.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Housing authorities have been particularly responsive to OSA recommendations and in most instances have moved expeditiously to improve their financial management practices, as indicated by the following examples:

- | | |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amherst Housing Authority | <ul style="list-style-type: none"> ■ The Authority has improved the safeguarding of its property by tagging its furniture and equipment, maintaining complete inventory records, and recording inventory values on the proper records. |
| Attleboro Housing Authority | <ul style="list-style-type: none"> ■ The Authority has strengthened its accounting and recordkeeping procedures by filing required quarterly and year-end operating statements, properly maintaining required financial accounting records, providing sufficient documentation to support cash disbursements, and addressing weaknesses in its payroll control procedures. ■ The Authority has been fully reimbursed \$4,875 by a former fee accountant who had been paid for services not performed. |
| Beverly Housing Authority | <ul style="list-style-type: none"> ■ The Authority has revised its personnel policy in order to establish a maximum limit for accrual of vacation leave. ■ The Authority has returned to EOCD all excess subsidy funds. ■ The Authority has ceased to delegate its tenant-selection and rent-determination duties to a Massachusetts Housing Finance Authority landlord, thereby increasing assurances that tenant selections are proper and that rent determinations are accurately charged by the landlord. |
| Brookline Housing Authority | <ul style="list-style-type: none"> ■ The Authority now requires that formal time sheets and attendance calendars be maintained for all employees to ensure the accuracy of its payroll charges and the vacation and sick leave balances. ■ The Authority now has a formal contract for legal services which includes scope and duration of services, as well as rate of compensation. ■ The Authority is now in compliance with EOCD regulations on rent determinations and operating reserve requirements. |

Canton Housing Authority

- The Authority is now in compliance with EOCD's budgetary requirement that compensation be paid to only those board members who performed duties relating to the Authority's Family Housing Program. In addition, as of the fall of 1989, board members began to repay the Authority for unallowed monies they had received as compensation under the Elderly Housing Program.

Chicopee Housing Authority

- The Authority is now enforcing its rent-collection policy. As a result, tenants' delinquent accounts are either being paid under repayment plans or being pursued by a collection agent. In addition, the Authority wrote off uncollectable tenants' accounts receivable balances of \$14,594 and is currently taking steps, with EOCD approval, to write off an additional \$31,708 in uncollectible accounts. As a result, the Authority's receivables will be valued properly.
- The Authority has improved the safeguarding of its property and equipment by completing a physical inventory of all furniture and equipment; tagging all of its nonexpendable inventory items; establishing complete, computerized inventory records; and writing inventory values on the proper financial records.

Duxbury Housing Authority

- The Authority is now in compliance with EOCD requirements regarding the performance of annual rent redeterminations and the allowance of rent increases.

Easthampton Housing Authority

- The Authority is now in compliance with EOCD's annual rent determination requirements.

The Executive Office of Communities and Development (EOCD)

- EOCD has improved its fiscal management practices by establishing adequate controls over appropriated funds advanced to local housing authorities (LHAs). This includes an accounts receivable system that documents current operating receipts, disbursements, net operating deficits, and operating subsidies advanced to each LHA; establishing procedures to monitor those LHAs that are delinquent in filing operating budgets; and returning to the General Fund all funds in excess of the LHAs' needs. Specifically, EOCD has implemented a computerized system that effectively tracks all LHAs' receipts, disbursements, and subsidies and that monitors any operating budgets and financial statements filed delinquent or not at all. Moreover, EOCD returned to the General Fund previous years' appropriations totalling over \$14 million that was determined to be in excess of the LHAs' needs.
- EOCD is now receiving, recording, and depositing federal funds in compliance with state law and federal grant requirements.
- EOCD has established a reporting mechanism to record all capital reserve funds advanced, expended, or on-hand at the LHAs.
- EOCD is encouraging LHAs to purchase group insurance coverage through the Massachusetts Interlocal Insurance Association.
- EOCD has discontinued its practice of transferring funds between programs.

Falmouth Housing Authority

- The Authority is now performing annual rent redeterminations for tenants in its state-aided Elderly Housing Program.

Hadley Housing Authority

- The Authority has strengthened its internal controls by properly preparing and maintaining the required financial statements and accounting records, and by keeping these records on the Authority's premises.
- The Authority has improved the safeguarding of its property by conducting a complete physical inventory of its property and equipment, updating inventory lists, and tagging fixed assets.

Hampshire County Regional Housing Authority

- The Authority is now obtaining and recording the documentation on tenants' income and deductions necessary to determine the level of tenant rents and to verify tenant eligibility for continued occupancy.

Haverhill Housing Authority

- The Authority is currently submitting quarterly reports to EOCD, which include information on vacant apartments.
- The Authority has improved its system for monitoring money generated from coin-operated washers and dryers, thereby helping to ensure that it receives its contracted share of revenue from these appliances. During the current audit period, meters were placed on each washer and dryer, identifying each machine's usage; also, periodically, an Authority employee accompanied the vendor when coins were removed from the machine.

Lenox Housing Authority

- The Authority is now issuing the required Internal Revenue Service (IRS) 1099-MISC income information forms to all tradesmen and landlords compensated \$600 or more during a calendar year. The Authority has also established procedures regarding the issuance of 1099-MISC income information forms at the end of each calendar year.

Mansfield Housing Authority

- The Authority has strengthened its internal control system by maintaining required accounting records and preparing financial statements in accordance with EOCD regulations.
- The Authority is now in compliance with EOCD's guidelines on establishing, submitting, and operating within approved budgets for its state-aided housing programs.

Massachusetts Bay Transportation Authority (MBTA)

- The MBTA is determining its monthly pass purchases based on the sales needs of its distributor. This has resulted in substantially reduced numbers of unsold monthly passes.
- The MBTA has strengthened administrative controls over its monthly pass program. Specifically, the Authority signs contracts with its monthly pass distributors in order to safeguard Authority interests, strictly enforces its five-pass-minimum order requirement, and ensures that no credits are issued for unsold passes that are not returned by the fifth day of the month.
- The MBTA has improved its contract management system. As a result, the problem of delay claims filed against the Authority by contractors who were unable to gain timely access to the project site has virtually been eliminated.
- The MBTA is now obtaining legally binding agreements with all parties involved in construction projects.

Initiatives

Milton Housing Authority

- The Authority has improved the safeguarding of its property by conducting a complete inventory of all equipment items.

Norton Housing Authority

- The Authority has improved compliance with EOCD's regulations for tenant selection and rent determination by satisfactorily addressing issues pertaining to tenant selection, tenant eligibility, written notification of ineligibility, and rent determination.
- The Authority has improved its accounting and recordkeeping practices by implementing adequate controls over laundry tokens, reconciling its tenants' accounts receivable and withholding accounts, obtaining sufficient supporting documentation prior to making disbursements, and implementing appropriate controls over personnel records.
- The Authority is now in compliance with public bidding requirements.

Plainville Housing Authority

- The Authority performs annual rent determinations on a scheduled basis in accordance with EOCD regulations.
- The Authority has improved the safeguarding of its property and equipment by implementing appropriate inventory-control procedures.

Quincy Housing Authority

- The Authority has ceased the practice of making flat-rate travel payments to its board members and is requiring proper travel documentation.

Revere Housing Authority

- The Authority has ceased providing weekly gasoline allowances, which are not allowed under EOCD guidelines.

South Hadley Housing Authority

- The Authority is currently performing rent determinations in compliance with EOCD regulations.
- The Authority has improved the safeguarding of its property and equipment by conducting a complete physical inventory of equipment, by completing and maintaining equipment record cards, and by properly tagging all equipment items.
- The Authority is adhering to EOCD travel-reimbursement procedures. Specifically, the Authority is ensuring that travel vouchers are documented and that all reimbursed travel is business-related.

West Springfield Housing Authority

- The Authority has substantially reduced delays in preparing vacant units for tenants. Vacant units are currently prepared for occupancy within 15 days unless the units are damaged. All units are inspected upon becoming vacant, and the results are documented in order to explain delays in preparing units.
- The Authority has improved the safeguarding of property and equipment by maintaining a perpetual inventory system, updating the system to reflect new purchases and deletions, and recording the original cost or fair market value of all equipment on its financial records.

Initiatives

The following is an update of planned and ongoing special OSA initiatives in the area of Authority audits.

Massachusetts Turnpike Authority

- The OSA is continuing a review of several areas within the Massachusetts Turnpike Authority including its procurement reform initiative; construction contract award practices; toll collection controls and procedures; policies related to the procurement and disposition of motor vehicles, heavy equipment, other maintenance equipment, and office furnishings; and administrative policies and procedures governing travel and entertainment.

Massachusetts Water Resources Authority (MWRA)

- The OSA will initiate a review of the cost, schedules, and performance of the various aspects of the harbor clean-up project. The audit will examine MWRA's Project Construction and Management contract with emphasis on the Incentive Fee Plan established between the Authority and the contractor.

State College and University Building Authorities

- The OSA is continuing a comprehensive review of the four state college and university building authorities (University of Massachusetts Building Authority, the Massachusetts State Colleges Building Authority, the University of Lowell Building Authority, and Southeastern Massachusetts Building Authority). The audit is reviewing each Authority's room and board determination process, examining each Authority's fixed asset control system, evaluating each Authority's cash and investment management practices, reviewing insurance premium costs in order to determine if a "blanket policy" would be less costly, reviewing each Authority's contract bidding and awarding process for all professional contracts, and determining whether the building authorities should be consolidated in order to achieve greater operating efficiency and fiscal savings.

Massachusetts Port Authority (Massport)

- The OSA will initiate an audit of the following operating practices at Massport: policies and procedures for reimbursing personnel for travel and entertainment expenses, controls over fixed assets, methods for allocating expenses over the Authority's entire operations, procedures for bidding and awarding contracts, and computation of landing fees.

During the report period, the OSA released 21 reports pertaining to state higher education audits, including 12 audits of student financial assistance programs and 4 electronic data processing audits. Common results appearing in these audits include weaknesses in the areas of accounting and administrative controls, compliance with state and federal laws and regulations, and controls over trust funds.

Audit Results

Inadequate Accounting and Administrative Controls

OSA audits revealed numerous deficiencies pertaining to internal control policies and procedures in areas including accounts receivable and student financial assistance programs. These weaknesses could distort financial statements, create vulnerabilities to waste and fraud, and result in unnecessary expenditures. Examples include:

- Fitchburg State College, as a result of inadequate procedures for determining immediate cash requirements, drew down fewer federal funds from the U.S. Treasury than were needed for disbursements during much of the audit period. This caused the student financial assistance ledger account to show a \$40,054 negative cash balance on June 30, 1989. Although the College's bank did not assess charges, the lack of a cash forecasting process could eventually lead to unnecessary bank penalties.
- Fitchburg State College overpaid six students \$2,726 in fiscal 1988 because adjustments had not been made regarding their changed financial status. At the conclusion of the audit, \$1,775 had already been repaid, and negotiations were ongoing for the repayment of the remaining \$951.
- Fitchburg State College's two student financial assistance checking accounts had 200 checks outstanding over 1 year, ranging from \$.29 to \$946 and totalling \$13,072. The College should have identified these stale-dated checks and either issued replacement checks or adjusted its accounting records. As a result of not doing so, financial assistance records overstated student awards and understated cash available for student aid.
- Greenfield Community College's disbursements to vendors under its Division of Continuing Education (DCE) program did not generally contain evidence of approval by an authorized college representative. Tests of DCE disbursements to 10 vendors noted that 92 of 98 (94%) payment vouchers lacked authorization and did not indicate the purpose of the purchases or services. Therefore, the College lacked adequate assurance that payments made for goods and services were appropriate, equitable, and economical.
- Holyoke Community College needed to improve its accounts receivable accountability and maintenance procedures. Of the \$243,391 in current non-federal receivables outstanding as of June 30, 1988, only \$125,710 was adequately supported by documentation. Also, improvements were needed for more timely follow-up in the collection process involving receivables due from former students.

Inadequate Accounting and Administrative Controls*Continued*

- Holyoke Community College needed to improve its procedures governing the processing and depositing of tuition and student application fees. Under the existing system, there was inadequate assurance that the Commonwealth was receiving its fair share of such revenue or that the College was not transmitting more to the Commonwealth than was actually required.
- Massachusetts College of Art did not have procedures in place to reconcile federal-reported data to the College's financial records. As a result, the College's annual operating reports and the quarterly cash reconciliation reports did not agree with balances in the school's financial records.
- Massachusetts College of Art did not adequately document the disbursement of Guaranteed Student Loan (GSL) checks to students. The College should have required students to sign for GSL checks to ensure proper receipt of the checks.
- Southeastern Massachusetts University's Office of Grants and Contracts did not have an adequate system to account for its receipts and disbursements nor did it establish a uniform reporting system. The Office did not have a uniform method of recording and documenting grant payroll to substantiate time expended on grants; inappropriately recorded the receipt and subsequent payment of university loans; did not, in closing out its grants, reconcile reports prepared by principal investigators to the Office's official accounting records; and carried forward balances of grants which had been completed as far back as 1979.
- Worcester State College, as indicated in a prior audit report, purchased and implemented an automated application system which did not have an adequate capacity to prepare reliable student accounts receivable records, account for distribution of revenues between accounts, and account for receipts and disbursements of trust funds. In addition to the original purchase price of \$49,500, the College paid two consulting firms a total of \$174,500 to revise the computer program and reconstruct data so as to establish reconciled account balances. The current audit disclosed that the system was still inadequate and that the College had not maintained adequate documentation or evidence to justify its account entries. College management has now purchased a new application system, "Colleague", implementation of which is reviewed in the EDP audit section (p. 69).

Inadequate Controls Over Trust Funds

Higher education trust funds contain funds and property, other than appropriated funds or state-owned property, that are entrusted to institutions in the higher education system. The following audits revealed weaknesses in the use and management of trust funds:

- Greenfield Community College did not maintain adequate documentation of trust fund disbursements involving nonemployee services. Thirty-six of 48 (75%) trust fund disbursements totalling \$24,788 made for nonemployee services were not supported by written contracts or other appropriate documentation stating the terms and conditions of the agreed-upon services. Without such written agreements, the existing system did not provide adequate assurance of compliance with the terms and conditions set forth by the College in its negotiation process for these services.
- Holyoke Community College, contrary to statutory requirements, charged \$30,395 of trust expenditures to the State Maintenance Appropriation Fund, federal grant accounts, and other trust fund activities. MGLs require that trust funds be self-supporting and that monies be expended solely for designated purposes.
- Holyoke Community College's accounting controls over its Bookstore Trust Fund needed improvement. Adequate documentation was not available to support \$59,325 of expenditures made to purchase used books from students during fiscal year 1988. Without proper documentation, the College could not be assured that expenditures were made for their intended purposes.

**Noncompliance
With State and
Federal Laws and
Regulations**

Several of the OSA's education audits revealed violations of state and federal law and regulations in the areas of student financial aid programs.

- Bridgewater State College withdrew \$101,700 of federal student financial assistance program funds in excess of its immediate needs. Federal regulations require that a draw-down of federal funds be limited to a school's immediate needs; more than five days' cash-on-hand is considered excessive.
- Fitchburg State College did not provide 20% matching funds in a timely manner as required by 34 Code of Federal Regulations (CFR) 675.26. The College drew \$160,000 from the federal government during the period July, 1988 to February, 1989 but contributed only \$10,726 rather than the required \$32,000 during the period.
- Greenfield Community College did not properly monitor and utilize its cash-needs-forecasting system. As a result, excessive cash balances remained on hand from 14 to 31 days beyond the time frame allowed by federal regulations.
- Greenfield Community College did not issue to the Internal Revenue Service (IRS) and the Department of Revenue (DOR) the required IRS 1099-MISC income information forms for payments to applicable employees earning in excess of \$600. In reviews of 48 trust fund disbursements, 10 instances were noted where the tax forms were not issued, which may have resulted in a loss of revenue to the Commonwealth and the federal government.
- Holyoke Community College did not encumber state-appropriated funds in accordance with the State Comptroller's requirements, nor did it reconcile its in-house purchase commitments with the official records maintained by the State Comptroller. Noncompliance with the State Comptroller's encumbrance requirements allowed the College to circumvent state uniform reporting requirements that help ensure control over accounts-payable and outstanding advance funds.
- Massachusetts Bay Community College did not return to the federal government the interest earned on certain loan program funds as required by federal regulations.
- Massachusetts Bay Community College's federal student financial assistance programs maintained cash balances up to 25 days, in excess of federal requirements that only five days' cash be on hand if a college is using the electronic fund transfer method to draw down cash.

Initial Findings

- Massachusetts College of Art drew federal funds in excess of its immediate needs, in violation of federal regulations that limit a college to only five days' cash needs. During the 32 month period ended June 30, 1989, the College maintained excess cash balances ranging from \$112,000 to \$295,000. The College could be subject to penalties for the excess cash on hand.
- Salem State College was not in compliance with federal regulations requiring it to return interest earned and prior years' recoveries on federal funds to the Department of Education (DOE). Since 1983, the College accumulated \$35,271 in interest income while also accumulating \$38,975 in Pell Grant recoveries and \$12,582 in Supplemental Educational Opportunity Grant Recoveries.
- Salem State College drew funds in excess of its immediate needs, in violation of federal regulations that limit a college to only five days' cash needs. During fiscal year 1989, an average of about 28 days elapsed between the drawdown of federal funds and their ultimate disbursement, which could subject the College to penalties.
- Springfield Technical Community College did not disburse 4 out of 30 drawdowns of federal funds within the 5-day limit permitted by federal regulations. The delays were of 9, 10, 12 and 13 days in length and involved \$20,000, \$24,000, \$20,700 and \$11,000, respectively.
- The University of Massachusetts at Amherst's College of Food and Natural Resources had not implemented the Public Higher Education Employee Housing Policy Guidelines, effective July 1, 1987. By not adjusting eight employees' rental rates as required by the guidelines, cumulative lost revenue for the two fiscal years ended June 30, 1989 amounted to approximately \$24,000; and lost revenue for the 1990 fiscal year amounted to approximately \$24,800.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. The following higher education institution implemented OSA recommendations:

Worcester State College

- The College is now using the Systems Development Life Cycles (SDLC) methodology in the selection of any future computer systems that it purchases.
- The College's Program of Continuing Education is now complying with the statutory competitive bidding laws.

Initiatives

Inadequate Accounting and Administrative Controls

Listed below are planned and ongoing initiatives related to higher education and to activities overseen by the Department of Education:

Special Education Law (Chapter 766)

- The OSA's divisions of Audit Operations and Electronic Data Processing are assisting its Division of Local Mandates in a comprehensive statewide study of Chapter 766, the law intended to ensure a child's right to equal educational opportunity despite special needs. This study, which is nearing completion, focuses on such areas as student placement, mainstreaming, the role of educational collaboratives, and private school tuitions.

Student Financial Aid Programs

- The OSA is continuing its audits of federal student financial aid programs. These reviews are being performed as part of the OSA's participation in the Single Audit of the Commonwealth's Comprehensive Annual Financial Report.

Human Services Audits

During the audit report period, the OSA released twenty reports pertaining to human services activities, sixteen of which contained audit results. These reports revealed deficiencies in such areas as accounting and administrative controls, inventory control, revenue maximization, and program oversight.

Audit Results

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help maximize state non-tax revenue collections of accounts receivable and help minimize misuse of state funds. The following entities had deficiencies pertaining to internal control policies and procedures:

- Boston Center for Independent Living (BCIL) did not maintain adequate records pertaining to its Emergency Assistance (EA) loans and grants to clients. As a result, BCIL erroneously billed clients and received repayments totalling \$950 for EA grants and also overbilled the Massachusetts Rehabilitation Commission \$455. BCIL also granted five individuals more than one EA loan, in violation of its own procedures.
- Brockton Multi-Service Center did not maintain adequate controls over the billing, collecting, and recording of residential and outpatient receipts. By not following proper internal control procedures, mainly the segregation of duties, the Center exposed its cash receipts to possible loss and misuse.
- Cushing Hospital lacked adequate internal controls over its storeroom operations. Specifically, requisition books were not distributed to all departments authorized to make withdrawals from the storeroom, and items purchased for future use were generally not recorded into the stock ledgers. As a result, the Hospital's stock ledgers did not accurately account for items purchased by the Hospital and did not provide current information regarding available quantities.
- Cushing Hospital did not obtain certain information from its "03" contractors as required by Administrative Bulletin 88-2. Disclosure forms, which list the contractor's qualifications and other state contracts held, and also people who have a financial interest in the proposed contract, were not available for any of the consultant services transactions totalling \$45,596 during fiscal year 1989.
- Cushing Hospital did not adequately analyze its need for various food items. Items were overstocked, eventually exceeded their shelf life, and had to be disposed of, resulting in a loss of \$14,337.
- Cushing Hospital lacked adequate internal control over expenditures made from the Friends of Cushing Fund. The Hospital's treasurer signed fund checks without seeing documentation to support the purpose of account expenditures, and such documentation was not maintained in one central file.

Inadequate Accounting and Administrative Controls

Continued

■ Cushing Hospital did not follow an Administration and Finance memorandum requiring the Hospital to submit quarterly canteen income and expenditure reports. Without such reports, management is unable to monitor the activity of the account.

■ Haverhill Day Care Center's management lacked adequate controls over its administration and operations. This resulted in \$25,602 in fraudulent disbursements allegedly made by the former Executive Director. Specifically, six cancelled checks totalling \$3,649 were altered; 19 disbursement entries totalling \$10,925 were indicated as having been paid to vendors when, in fact, the Executive Director was the payee; 7 checks totalling \$4,772 were paid directly to the Executive Director; and 7 checks totalling \$6,056 were paid directly to the Executive Director's credit card account. In addition, the Executive Director allegedly received \$200 by falsifying a transcript and submitting it for educational reimbursement. This investigation is also discussed in the Referral Section on page 77.

■ Lakeville Hospital lost control of its accounting capabilities while attempting to implement a new computer system for billing patients and third-party insurers, applying cash receipts to patients' accounts, and controlling accounts receivable. As a result, the Hospital was one year behind in posting cash receipts and other credits to individual patient account balances, and furthermore, the Hospital did not know its accounts receivable balance for board and care of patients as of June 30, 1989.

■ The Office for Children (OFC) had not implemented an adequate system of internal control over the processing of its licensing revenue collected from group-day-care license applicants. As a result, the OSA was able to trace through OFC's accounting system only 3 (13%) of the 24 transactions tested. In addition, the amount of revenue that OFC should have deposited with the State Treasurer varied significantly (as much as 42%) from the amount that was actually deposited by OFC. As a result, OFC cannot be assured that all of the licensing revenue it received during fiscal year 1988 was properly recorded, processed, and remitted to the State Treasurer.

Inadequate Control Over Property and Equipment

The State Comptroller's Policy Manual requires all state entities to keep complete inventories and to tag equipment in order to ensure that property is safeguarded and used for its intended purposes. Several reports identified areas where controls needed improvement. For example:

- Boston Center for Independent Living (BCIL) did not conduct annual physical inventories, maintain accurate records, and affix identification tags to its fixed assets. As a result, BCIL exposed its property and equipment valued at \$56,071 to possible loss and misuse.
- Department of Mental Health (DMH)-Region I did not maintain adequate control over its property and equipment. Specifically, the master inventory list prepared by the DMH Central Office was incomplete, inaccurate, and did not identify items on the list by the specific tag number located on the piece. In addition, DMH did not tag and record equipment purchased with state funds by its providers during the audit period, and therefore, the equipment could not be identified as state property.
- Department of Mental Health (DMH)-Region II did not comply with state rules and regulations regarding the safeguarding, recordkeeping, and physical accountability of property and equipment located at the regional, area and local levels. As a result, the Commonwealth had little assurance that its assets were adequately safeguarded against loss or misuse.
- Lakeville Hospital, despite improvement made in this area, still did not take the required annual inventory or tag equipment in any Hospital buildings except the main building. As a result, there was no assurance that the Hospital's assets were adequately safeguarded against loss or misuse.
- Norfolk Pre-Release Center lacked adequate internal controls over its property and equipment inventory. Specifically, its current inventory listing contained five items totalling \$9,426 that had been disposed of and ten items with no assigned dollar value. In addition, there was a variance of \$17,466 between the value of property listed and what was reported to the State Comptroller in June 1989.
- Tewksbury Hospital, despite significant improvement, lacked adequate control over its property and equipment inventory. The Hospital did not reconcile the department inventory to the master inventory list; inventory transfer sheets were not consistently completed; some items were not tagged or listed on the inventory, and some items could not be located. This lack of control jeopardized the security of the Hospital's physical assets.

Noncompliance With State and Federal Laws and Regulations

- The Department of Mental Health (DMH)-Region I did not use competitive bidding procedures as required by state law for the procurement of equipment and furnishings. The office split \$5,693 in orders of equipment and furnishings so that each invoice would be below the \$500 competitive bidding requirement. As a result, there was limited assurance that goods and services were obtained at the lowest possible cost to the Commonwealth.
- The Office For Children had on its payroll two employees who performed duties for its oversight agency, the Executive Office of Human Services. Massachusetts General Laws, Chapter 29, Section 31, specifically prohibits this practice.

Programmatic Issues

In addition to financial and statutory compliance audits, the OSA also conducts program audits to determine whether state-funded programs are operating so as to provide appropriate and effective services to their clients. During the audit period, the OSA reported on several issues involving programmatic oversight and service delivery.

- Department of Social Services (DSS) did not adequately monitor its contracted service providers as required by Chapter 18B of the MGLs and General Contracting Conditions promulgated by the Executive Office of Human Services. As a result, the following deficiencies were uncovered:
 - (A) One DSS day care provider billed and received from DSS reimbursements totalling \$20,194 during fiscal year 1988 for units of service that it did not provide. In several instances, the provider received reimbursement for services provided to children who had left the program up to six months earlier, as well as for days when no services were provided to any children (i.e., holidays). According to DSS's Day Care Contractor's Manual, basic day care providers are allowed to bill DSS on a monthly basis for only the actual number of billable service units provided during the month.
 - (B) Certain providers were not maintaining client waiting lists in accordance with DSS contracting requirements and were also not using the DSS-mandated system of placing children in program slots. Review of the documentation kept by 18 providers visited by the OSA showed that five providers were not maintaining waiting lists. As a result, these providers

were unable to maintain 100% enrollment in their programs for an average of 4.7 months, as opposed to an average of 3.1 months at programs which maintained waiting lists. In addition, the monthly waiting list information that providers were submitting to DSS was significantly different from the waiting list information maintained on the providers' records. For example, during a 23-month period, one provider submitted waiting lists with an average of 54 clients when, in fact, the provider's list had an average of only two clients on it. As a result, DSS could not be assured that it had accurate information on which to base contracting decisions. Finally, the OSA found no documentation at 12 of the 18 providers to substantiate that they were using DSS's Alternate Intake System (AIS) to fill vacant time slots and, therefore, DSS could not be assured that clients were being placed in these programs in a fair and equitable manner.

- (C) Certain providers were not conducting reassessments of clients' service needs or sending out termination notices in accordance with DSS contract requirements. DSS's Day Care Contractor's Manual states that service providers are expected to maintain 85% attendance in their programs. To help maintain this attendance level, providers must reassess the service needs of clients absent for either 3 non-consecutive days of unexplained absence or for 11 days of excused absence during one month and are to mail a termination-of-service notice to any client who has over 3 consecutive days of unexplained absence during one month. The OSA reviewed the files of 285 clients of 18 providers who should have been reassessed and found no documentation to substantiate that 215 of these clients had been reassessed. In addition, the OSA found no documentation to substantiate that 13 clients who should have received termination-of-service notices had ever received them. During this time period, these 18 providers were unable to maintain 85% attendance in their programs for an average of 7 months and, based on the daily rate paid to these providers, DSS paid approximately \$54,000 for units of service below the expected 85% level. As a result, DSS could not be assured that its program services were being provided in the most efficient and effective manner.

Programmatic Issues

Continued

- Department of Elder Affairs (DEA) is the principal agency responsible for developing and implementing programs to ensure the dignity and independence of elderly persons. DEA's Home Care Program is largely coordinated and administered by Home Care Corporations (HCCs) to whom DEA has delegated the responsibility for monitoring the delivery and quality of home care services. However, as a result of ineffective administration on the part of DEA over the HCCs, the following deficiencies were revealed:

- (A) DEA had not established standard procedures for HCCs to follow when monitoring service providers. As a result, the monitoring activities of the 8 HCCs visited varied considerably and in some instances were inadequate. For example, 7 of the 8 HCCs did not conduct any type of fiscal review of their 244 service providers who received a total of \$33,612,661 in fiscal year 1988 funding, and therefore DEA could not be assured the amount of money expended was appropriate for the level of services provided, or that the monies were properly safeguarded. A second result of HCCs' ineffective and inconsistent monitoring was that service providers were found by the OSA to be in noncompliance with HCC contract conditions and DEA regulations. For example, 2 of the 13 service providers visited were not maintaining written personnel policies and procedures; of 147 service-provider employee files reviewed, the OSA found no evidence that 10 of these employees had been properly trained, that 13 had received the required 3 hours of program orientation, or that 35 employees had received quarterly supervisory reviews. Without establishing specific monitoring guidelines, DEA could not be assured that the approximately \$84 million provided annually to HCCs for contracted services was being properly safeguarded and expended in compliance with HCC contract requirements and DEA regulations.
- (B) DEA's audit process for monitoring HCCs was poorly documented and inadequate. Specifically, the OSA found that DEA's two internal audit units did not maintain written standards, policies, and procedures; did not maintain written audit programs; did not adequately document their audit work; and did not effectively follow up on audit findings to ensure that appropriate and required corrective action had been taken. Because its process of conducting, documenting, and following up on its audit work had been inadequate, DEA had not been effective in ensuring that the HCCs comply with applicable laws, regulations and contract requirements.

Prior Audit Results: Corrective Actions

- (C) DEA did not effectively monitor its payments to HCCs for provider services. A review of 1,282 service provider invoices submitted by the HCCs for three months disclosed that for 567 invoices (44% of the total invoices reviewed), DEA paid a rate higher or lower than listed in the rate book; paid for services rendered by a provider not listed in the rate book; or paid for services rendered by a provider for which no contract was listed in the rate book. The OSA also found that DEA made a duplicate payment totalling \$123,000 to one of its HCCs for provider services. (This overpayment was returned by the HCC.)
- The Department of Public Welfare (DPW) is mandated by Chapter 18, Section 2, of the MGLs "to administer a program of emergency assistance to needy families with children and pregnant women with no other children,...to provide benefits to avoid destitution or to provide living arrangements in a home." To meet this mandate, DPW has established an Emergency Assistance (EA) Program as a component of the federally subsidized Aid for Families with Dependent Children (AFDC) Program. The OSA review examined the emergency shelter services DPW provides through the EA program. Two specific issues were discussed in this audit report.
 - (A) Although it is state policy to use hotels and motels for emergency shelter only as a last resort, DPW does not have adequate shelter capacity to serve all its homeless clients. As a result, DPW placed 9,130 homeless families in hotels and motels between July 1, 1986 and June 30, 1989. In contrast to family shelters, the majority of hotels and motels used to provide emergency shelter for homeless families did not have cooking and laundry facilities, play areas for children, or common spaces where families could congregate and were therefore unsuitable for family living. In addition, maintenance and safety problems also existed at some of the hotels and motels.
 - (B) Family shelters were found to be a more cost-effective and efficient means of providing temporary emergency shelter than are hotels and motels. During the period from July 1, 1986 through December 31, 1987 the weighted average occupancy cost for shelters ranged from a low of \$6.84 per person per night to a high of \$13.41 per person per night, whereas the weighted average occupancy cost in hotels and motels ranged from a low of \$15.57 to a high of \$28.51. If in the six service areas reviewed, DPW had sufficient shelter capacity to house all homeless families, savings of approximately \$2.2 million could have been realized during this 18-month period.

Revenue Not Maximized

The following examples of loss of potential revenue were noted:

- Boston Center for Independent Living (BCIL) did not resubmit approximately \$1.1 million in rejected Medicaid-reimbursable claims from its Personal Care Attendant (PCA) Program. As a result, BCIL experienced cash flow problems and could not pay approximately \$41,000 in PCA service costs in March 1989, when payment was due.
- Department of Mental Health (DMH)-Region II had been unable to recover unearned contract revenues totalling \$89,139 from Co-operative Human Services, Inc., dating back as far as 1977. The case has been turned over to DMH's Legal Counsel and the Office of the Attorney General.
- Department of Mental Retardation (DMR) did not bill Medicaid for all eligible services that its Intermediate Care Facilities for the Mentally Retarded provided. As a result, DMR did not collect approximately \$354,885 in federal reimbursement to which it was entitled.
- Department of Mental Retardation (DMR) did not evaluate \$384,591 in denied claims to identify and correct Medicaid-eligible claims for resubmittal. As a result, DMR lost over \$79,000 in federal funds for denied claims over two years old, which is the federal limit for resubmitting denied claims. However, DMR has indicated that it has initiated recovery of over \$112,000 from the federal government in denied claims.
- Lakeville Hospital, contrary to statute, permitted two non-profit corporations to occupy space without paying rent. Furthermore, the Hospital had not taken action to recover its share of the operating costs of these corporations as was recommended in a prior audit. As a result, the Hospital and the Commonwealth lost revenue that could have been collected from these two corporations.
- Tewksbury Hospital lost an indeterminate amount of revenue due to its failure to bill clients for board and care charges. Specifically, the OSA noted that while 27 non-paying clients appeared to be Medicaid-eligible and two non-paying clients had private insurance, billings were not made for covered services. In addition, four non-paying clients received Social Security benefits which are customarily used to offset board and care charges, after deducting the \$70 per-month personal care allowance. By providing free care to individuals for whom funding is available, the Hospital lost revenue to which it was entitled.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Among the human services entities that implemented the OSA's recommendations were the following:

Brockton Multi-Service Center (BMSC)

- The former director of Campello Diversified Industries (CDI), a subsidiary of BMSCs which operates a client workshop, pleaded guilty to theft of CDI's workshop funds. He was ordered to pay restitution of \$7,000 but as of February 26, 1990 had paid only \$125 and was in violation of his probation.

Cushing Hospital

- The Hospital has significantly improved its compliance with the Commonwealth's competitive bidding laws.
- The Hospital is now billing the Adult Day Care Center, Inc. for meals provided to the Center and is recovering money for free meals provided in the past.
- The Hospital is now charging the most current rent and meal ticket rates in compliance with 801 CMR 4.03-4.04.

Lakeville Hospital

- The Hospital has made significant improvement in controlling overtime payments and is monitoring patterns of overtime use.

North Central Correctional Institution (NCCI)

- NCCI has improved internal control over inmates' savings bonds, vending machine operations, and the Employee Benefit fund.
- NCCI has improved the safeguarding of its property and equipment by establishing adequate inventory controls.

Tewksbury State Hospital

- The Hospital is now billing Medicare Part B for physician services and ancillary services and is resubmitting denied Medicaid claims.

Initiatives

The following is an update of planned and ongoing initiatives in the area of Human Services:

Architectural Access Board (AAB)

- The OSA is planning a follow-up review on the status of the AAB's implementation of eleven recommendations contained in a study by the Joint Legislative Committee on Human Services and Elderly Affairs. The OSA will update the prior report and identify the progress the AAB has made towards fulfilling its mandate.

Department of Public Welfare "ET-Choices" Program

- The OSA, as mandated by Chapter 75 of the Acts of 1990, is preparing an analysis and evaluation of the state's employment and training program, "ET-Choices". The evaluation will include an analysis of existing incentives and disincentives to economic independence, types of employment positions offered or filled, and success and failure rates. The evaluation will also include an examination of the supportive services offered to participants of the program, such as day care and medical expenses and an analysis of the program costs.

Department of Social Services-Full Time Equivalent Program (FTE)

- The OSA has completed a survey for an audit that will focus on the FTE program created by the Department of Social Services (DSS) to contract with nonprofit providers for case management services for protective cases.

State Institutions: Client Funds

- The OSA is continuing an audit which focuses on the controls over client funds at state schools and hospitals.
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Initiatives

The following is an update of planned and ongoing initiatives in the area of Human Services:

Architectural Access Board (AAB)

- The OSA is planning a follow-up review on the status of the AAB's implementation of eleven recommendations contained in a study by the Joint Legislative Committee on Human Services and Elderly Affairs. The OSA will update the prior report and identify the progress the AAB has made towards fulfilling its mandate.

Department of Public Welfare "ET-Choices" Program

- The OSA, as mandated by Chapter 75 of the Acts of 1990, is preparing an analysis and evaluation of the state's employment and training program, "ET-Choices". The evaluation will include an analysis of existing incentives and disincentives to economic independence, types of employment positions offered or filled, and success and failure rates. The evaluation will also include an examination of the supportive services offered to participants of the program, such as day care and medical expenses and an analysis of the program costs.

Department of Social Services- Full-time Equivalent Program (FTE)

- The OSA has completed a survey for an audit that will focus on the FTE program created by the Department of Social Services (DSS) to contract with non-profit providers for case management services for protective cases.

State Institutions Client Funds

Judiciary/Law Enforcement Audits

Twenty judiciary audits were released during the report period, ten of which disclosed problems in the areas of accounting, administrative and inventory controls; noncompliance with state laws and regulations; revenue not maximized; and substandard physical conditions. In addition, five of the audits contained prior audit findings that had been adequately addressed by the auditees.

Audit Results

Inadequate Accounting and Administrative Controls

Several reports revealed various accounting, recordkeeping and other internal control weaknesses. These deficiencies distort financial statements, create vulnerabilities to waste and fraud, and may result in unnecessary expenditures. Examples include:

- The Boston Division of the Housing Court Department (BDHCD) was unable to provide the OSA with the necessary financial data and records necessary to perform a complete review of its financial accounting system. Financial data that was provided but lacked adequate documentation included bank statements, bank reconciliations, canceled checks, and check registers; cash receipts and disbursements journal; postage advance requests; and 1987 payroll payment vouchers. In addition, BDHCD could not provide the following fiscal year 1987 records that were requested: attendance calendars, time sheets, authorizations for employment and employees' rates of pay, all preliminary payroll warrants, financial records for the Lead Paint Escrow Account, all fiscal year 1987 bail activity records, supporting documentation for payments to consultants, and a physical inventory of property and equipment.
- The Boston Division of the Housing Court Department's (BDHCD) Clerk-Magistrate's Office did not establish an adequate system of internal control over the receipt and disbursement of court income and custodial funds. The review revealed that an adequate separation of duties did not exist; i.e., one clerk was responsible for all cash activities. Additionally, bank reconciliations were not performed by court personnel on a timely basis.
- The Boston Division of the Housing Court Department (BDHCD) did not have adequate procedures to monitor the status of its appropriation account activity and balance. Documents entered into MMARS were not reconciled to MMARS reports, although such reconciliation is necessary to determine the current balance and activity of BDHCD's appropriation account.
- Middlesex Superior Court made payments for monthly telephone services despite a growing credit balance of \$346,300 and a statement marked "Credit Balance - Do Not Pay". Prudent business practice advocates that when a large credit balance occurs, payments should be stopped or a refund requested. As a result of these overpayments, the court was unable to expend this money for other purposes.
- Middlesex Superior Court did not adequately supervise payroll procedures, in violation of the Trial Court Personnel Policies and Procedures Manual. The inadequate supervision resulted in an ineffective payroll recording system and at least one instance whereby an employee was paid \$4,577 for work never performed.

Inadequate Accounting and Administrative Controls

Continued

- Middlesex Superior Court's Clerk Magistrate's Office did not maintain adequate control and accountability over its civil escrow deposits, which totalled \$1,021,000 as of October, 1987. The Office had no subsidiary records detailing the individual civil escrow deposit amounts. Therefore, the inclusion of these funds on the monthly detail trial balance was not possible. Furthermore, the state and federal government lost \$72,000 in tax revenue in 1987 alone due to the Court's failure to file with the Commissioner of Revenue the name of each person who had money in an escrow account and the amount of interest earned.
- Middlesex Superior Court's Probation and Clerk-Magistrate's Offices did not maintain adequate control over cash receipts and disbursements. These controls are necessary for safeguarding assets, maintaining the accuracy of accounting data, and promoting operational efficiency.
- The Norfolk Division of the Superior Court Department did not prepare accurate and complete accounting of bail funds, receiver and removal bonds, and escrow bank books; and did not reconcile these balances to the cash on hand and in the bank. As a result of the audit, excess funds totalling \$2,241 were forwarded to the State Treasurer.
- The Suffolk Division of the Probate and Family Court Department lacked adequate internal controls over court-ordered support receipts for welfare recipients totalling \$1,187,804 in fiscal year 1987. The records pertaining to support receipts received on behalf of welfare recipients were not reconciled to receipts forwarded to the Department of Public Welfare (DPW). These receipts were hand-delivered without a detailed remittance schedule for DPW and the Department of Revenue to ensure that no discrepancies existed between checks transferred by the Court and those received by DPW. As a result, welfare-support receipts were not being safeguarded against loss from unauthorized use or disposition.
- The Victim and Witness Assistance Program, in a significant number of cases referred to the district attorneys for services, lacked supporting documentation of case processing or disposition. The absence of data could hamper efforts to determine the status of victims and witnesses entitled to services under the program. In addition, programs for victims and witnesses varied greatly among the various district attorney offices. With improved coordination and consistency, more efficient and economical practices in the administration of the program could be achieved.

Inadequate Control Over Property and Equipment

The State Comptroller's Policy Manual requires all state entities to keep complete inventories to ensure that property is safeguarded and used for its intended purposes. The following reports identified weaknesses in this area:

- The Boston Division of the Housing Court Department (BDHCD) did not have a current inventory listing of property and equipment. Furthermore, no documentation was made available indicating that a physical property inventory had been conducted. As a result, BDHCD could not be assured that its physical property was protected against loss and misuse.
- The Massachusetts Criminal Justice Training Council (MCJTC) did not maintain current inventory control records for physical property and equipment, nor did it perform the required annual inventory of such property. There was no complete inventory available for fiscal years 1986-1988, yet MCJTC expended over \$800,000 for equipment during that period.
- Middlesex Superior Court's Clerk-Magistrate's Office did not maintain adequate controls over its property and equipment inventory. An annual inventory was not performed and, of the 86 equipment items tested, only 12 appeared on the latest inventory listing and only 46 were tagged.

Noncompliance With State Laws and Regulations

The following entities were not in compliance with applicable state law:

- The Boston Division of the Housing Court Department transmitted approximately \$172,000 in receipts to the State Treasurer an average of 21 days late, after allowing for an initial 10-day filing period. The requirement of a 10-day filing period and transmittal of receipts is outlined in Chapter 221, Section 32, of the MGLs and is intended to ensure control over the funds and maximization of interest.
- The Massachusetts Criminal Justice Training Council (MCJTC) audit disclosed questionable activities in its administrative operations, including: contractual payments totalling \$180,625 not supported by evidence of performed services, possible violation of the conflict-of-interest law, and apparent circumvention of the Commonwealth's purchasing procedures. MCJTC could not provide evidence that any services had been rendered in compliance with three technical assistance consultant contracts that it awarded. In addition, MCJTC awarded these three contracts without benefit of public advertising, solicitation of formal written proposals from three qualified vendors, or any other bidding procedures, in violation of Administration and Finance Bulletin

Noncompliance With State Laws and Regulations

Continued

82-1. Lastly, in possible violation of Chapter 268A, the Commonwealth's conflict-of-interest law, payments in excess of \$5,000 were made from one contract to another organization, whose president, treasurer, and declared owner is the wife of the (former) Executive Director of MCJTC.

- Middlesex Superior Court's Clerk-Magistrate's Office did not comply with Chapter 29 of the MGLs regarding capital-equipment purchases. By purchasing its capital equipment under lease agreements rather than buying the equipment outright, \$33,053 in unnecessary costs were incurred.
- Middlesex Superior Court's Clerk-Magistrate's Office implemented an unauthorized employee incentive program that allowed clerical staff alternate Friday afternoons off with pay, resulting in a cost to the Commonwealth of approximately \$61,200 for work not performed.

Revenue Not Maximized

The following examples of loss of potential revenue were noted:

- The Barnstable Division of the District Court Department failed to actively pursue civil motor-vehicle infractions, resulting in lost revenue to the Commonwealth and local municipalities. From November 1986 through June 1988, a statistical sample of docketed citations indicated that approximately 11,000 citations valued at approximately \$671,000 were in default and had not been processed by the Clerk-Magistrate's Office. Additionally, the law provides that those in default should have had their operator's licenses suspended by the Registry of Motor Vehicles.
- Middlesex Superior Court's Clerk-Magistrate's Office was in possession of custodial funds totalling \$210,388 that should have been remitted to the State Treasurer. This total consisted of \$166,423 in abandoned funds and \$43,965 in revenue that was, due to the retention of the funds, unavailable for investment by the State Treasurer's Office.
- The Plymouth Division of the Probate and Family Court Department maintained 44 custodial passbooks totalling \$95,844 that were over 20 years old, which should have therefore been considered abandoned and remitted to the State Treasurer. Because these passbooks were not remitted to the State Treasurer and not placed in the cash-management system, the Commonwealth lost the use of these funds.

Substandard Physical Conditions

In accordance with Chapter 11, Section 12, MGLs, the OSA reviewed the physical condition of all courthouse structures occupied by the Commonwealth's judicial system. The results of this review supported previous studies that indicated a need for extensive courthouse interior and exterior improvements. For example:

- The Court Facilities of the Commonwealth audit revealed that significant improvements at the Commonwealth's court facilities were needed. In the areas of physical condition and spatial adequacy of the courthouse structures deficiencies were noted, such as lack of parking space, poor heating systems, poor/no air-conditioning, lack of adequate security provisions, poor/no elevator service, poor toilet facilities, and a lack of space for judges, jury, court employees and storage. Deficiencies regarding fire and safety conditions included the lack of an evacuation plan and fire drills, absence of workable fire sprinklers and smoke detectors, and a lack of fire alarm systems and emergency fire equipment. Concerning the adequacy of handicapped accessibility, half of the courthouse facilities did not maintain any provisions for handicapped accessibility throughout either their exterior or interior structures; 72% did not have either interior or exterior handicapped identification signs; 60% lacked handicapped-accessible water coolers, toilets, fire alarm boxes and public telephones; and 60% did not contain interior or exterior ramps or adequate elevators. Finally, problems noted in the facilities' maintenance services included the absence of, or infrequent, window washing; lack of periodic vacuuming and cleaning of lavatories, work areas, and public areas; lack of insect and pest control and inadequate snow-removal services.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Among the judicial system entities that implemented the OSA's recommendations contained in prior audit reports were the following:

**Barnstable
Division-
District Court
Department**

- The Court has improved the safeguarding of its property and equipment by maintaining perpetual inventory records and taking an annual physical inventory as required by the State Comptroller's Policy Manual.
- The Court's Clerk-Magistrate's Office is now properly disposing of bail cases in default status.
- The Court's Probation Office is now remitting forfeited bails to the Commonwealth as required by Chapter 200A of the MGLs.

**Boston Division-
Housing Court
Department**

- The Court is now using the correct receipt account number when transmitting funds to the State Treasurer.

**Office of the Jury
Commissioner
for the
Commonwealth**

- The Office is no longer entering into uneconomical lease-purchase agreements when purchasing equipment.

**Plymouth Division-
Probate and
Family Court
Department**

- The Court is now posting interest on the custodial passbooks that it maintains.
- The Court has improved the safeguarding of its property by updating its physical inventory and tagging its property and equipment.
- The Court's Probation Office is now performing monthly closing procedures and a cash balance has been established.
- The Court is now issuing stop-payment orders for checks over one year old.

**Suffolk Division
Probate and
Family Court
Department**

- The Court has strengthened its internal controls over physical property by maintaining an inventory of equipment.
 - The Court is now remitting checks outstanding for over one year to the Unpaid Check Fund.
-

Initiatives

Listed below are planned and ongoing audit initiatives in the areas of the judiciary and law enforcement:

Comprehensive Financial Audit of the Trial Court System

- The OSA is continuing a review of the Office of the Chief Administrative Justice, its various departments, and the trial courts under its jurisdiction (i.e., district, superior, probate, juvenile, and housing). This top-down approach will help identify material and common financial and administrative issues in each component of the judicial system so that uniform recommendations can be made.

Court Facility Rental Accounts

- The OSA is conducting a survey in preparation for its mandated annual audit of court facilities rental accounts and related accounts of any county, city, or town that receives payments for the provision of court facilities. Section 2 of Chapter 203 of the Acts of 1988 states that every county, city, or town which receives such payments must maintain the rental funds in a separate account to be used solely for the maintenance of the rented facility. The OSA will examine compliance, as required under Chapter 203.

Processing of Civil Motor Vehicle Infractions (CMVIs)

- The OSA is continuing a statewide compliance audit of the systems in place at district courts for processing CMVIs. Prior audit results have indicated that the Commonwealth and its municipalities are being deprived of the timely use of substantial amounts of revenue due them for civil motor vehicle infractions.

Public Counsel Services in Massachusetts

- The OSA is continuing an audit of the activities of state entities that provide public counsel services and legal assistance services to income-eligible Massachusetts citizens. This audit focuses on the Committee for Public Counsel Services, the agency that receives the majority of the funds expended for public counsel services.

Prior Audit Results: Corrective Actions

Initiatives

During the report period, the OSA also released 39 other audits pertaining to various federal and state entities. The reports included 7 federal Environmental Protection Agency Construction Grant audits and 32 audits of state agencies, commissions, funds, and activities. In addition to weaknesses in administrative and inventory controls, the OSA disclosed several issues relative to state agencies' internal audit and revenue maximization efforts.

Other Audited Agencies

During the report period, the OSA also released 39 other audits pertaining to various federal and state entities. The reports included 7 federal Environmental Protection Agency Construction Grant audits and 32 audits of state agencies, commissions, funds, and activities. In addition to weaknesses in administrative and inventory controls, the OSA disclosed several issues relative to state agencies' internal audit and revenue maximization efforts.

Suffolk Division
Protective and
Family Court
Department

Audit Results

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help to ensure that state funds are being spent properly and efficiently. Several reports during this period revealed various accounting, recordkeeping, and other internal control weaknesses. Examples include:

- The Department of Commerce and Development under the Executive Office of Economic Affairs did not properly maintain its Budgetary Control Register (BCR) or correctly reconcile BCR information with MMARS reports provided by the State Comptroller's Office. For example, 58 transactions totalling \$66,049 which appeared on the MMARS reports were not recorded in the Department's BCR. Lack of a reconciliation process to monitor the expenditure and classification of funds could result in managers obtaining inaccurate information regarding the status of each account and, as a result, making inappropriate spending decisions.
- The Department of Commerce and Development made thirteen duplicate payments totalling \$10,583 to various vendors. Each of the duplicate payments represented a second payment erroneously made for the same invoice. Although this money has been recouped, the Department did not discover the duplicate payments until the vendors had sent the second payment back.
- The Division of Administrative Services within the Purchasing Agent's Division (PAD) lacked sufficient documentation to justify its accounts receivable totals. PAD did not maintain cash records indicating payments received or an accounts receivable ledger indicating charges and credits. As a result, the total charges and payments for office supplies or postage and the accuracy of the accounts receivable balances determined by PAD could not be verified. In addition PAD did not enter billings or payments for printing requests from state agencies in an accounts receivable ledger. As a result, PAD could not verify the revenue received from printing charges totalling \$549,311 in fiscal year 1989.
- George E. Fingold Library did not maintain a cash record in accordance with the requirements of the Comptroller's Policy Manual. As a result, the Library could not be assured that it had properly accounted for all cash receipts and disbursements; and, because the Library still did not have a procedure for the reconciliation of accounts, an over-expenditure of funds could have resulted.
- The Massachusetts Council on the Arts and Humanities' grant files disclosed: missing documentation; a grantee billing for projected rather than actual costs; a lack of monitoring of a grantee's expenditure overruns; and an unauthorized loan of \$200,000. This \$200,000 loan made to Festival Fund, Inc., with whom the state had contracted to present "Making Music Together", a Massachusetts-Soviet Union Cultural Exchange Program, had not

Inadequate Accounting and Administrative Controls

Continued

been repaid. In addition, although the Council had written two letters in 1988 requesting repayment of the loan, it had made no apparent effort since April 25, 1988 to secure collection, nor had it referred the defaulted loan to the Attorney General's Office during the audit period. (The matter of the loan recovery has since been referred by the Council to the Attorney General's Office.)

- The Massachusetts Council on the Arts and Humanities needed to strengthen controls over its payroll procedures. OSA testing disclosed that 20 (71%) of 28 employee attendance calendars contained posting errors. As a result, approximately 60% of employee vacation, sick, and personal leave balances were overstated.
- The Massachusetts Council on the Arts and Humanities had not corrected weaknesses in internal accounting controls disclosed in a prior audit report. Inadequate controls existed in the areas of advances, trust fund expenditures, cash receipts, cash disbursements, and encumbrance management.
- The State Election Campaign Fund (SECF) lacked central oversight of accounting records. None of the agencies responsible for the operation of SECF (the Office of Campaign and Political Finance, the Department of Revenue, the Office of the State Comptroller, and the State Treasurer's Office) maintains a central, complete set of accounting records for SECF. As a result, there is limited certainty that all transactions are recorded promptly, completely, and accurately to ensure that the full amount of taxpayer contributions and maximum investment earnings are available for distribution.
- The State Lottery Commission needs to formally document its internal accounting systems for revenue and expenditure processing and posting, financial statement preparation, and instant ticket inventory procedures. Without written documentation, the administrative and accounting control environment is weakened and the potential for operating difficulties in the case of changed personnel is increased.

Inadequate Control Over Property and Equipment

The State Comptroller's Policy Manual requires all state entities to keep complete inventories and to tag equipment in order to ensure that inventory is safeguarded and used for its intended purposes. Examples of deficiencies in the control over property and equipment include:

- The Appellate Tax Board's inventory listing was not complete and lacked such pertinent information as acquisition date and total valuation of equipment items. For example, the Board's inventory valuation of \$84,575 did not include electronic data processing

equipment worth approximately \$158,000. As a result, the Board exposed its property to possible loss or misuse.

- The Community Antenna Television Commission, while updating its inventory listing and tagging all equipment, had still not included data processing equipment in its inventory listing and had not maintained documentation showing that inventory which was declared surplus in fiscal year 1988 was properly approved.
- The Department of Commerce and Development within the Executive Office of Economic Affairs did not label all equipment items with property-control identification numbers. In addition, certain office equipment totalling \$7,411 purchased during fiscal years 1987 and 1988 could not be identified on inventory records. Also, the Department inventory records indicated a \$61,211 variance with the June 30, 1988 Fixed Assets report filed with the Office of the State Comptroller. As a result, the Department could not be assured that its property and equipment was adequately safeguarded.
- The Department of Revenue (DOR) lacked a perpetual inventory system; had not conducted an annual physical inventory since June 30, 1985; and had not tagged all of its equipment holdings. As a result, DOR placed its property and equipment at risk of loss, misplacement, or misuse.
- The Division of Administrative Services within the Purchasing Agent's Division (PAD) did not maintain a perpetual inventory for printing supplies used in fiscal year 1989, although a prior audit report had recommended the installation of a perpetual inventory system for Central Reproduction. Additionally, PAD did not conduct a physical inventory halfway through, and at the end of, the fiscal year, nor did it reconcile the physical inventory to the perpetual inventory. As a result, it was not possible to determine the dollar value for beginning and ending material inventories in fiscal year 1989.
- The Division of Fisheries and Wildlife within the Department of Fisheries, Wildlife, and Environmental Law Enforcement did not tag all equipment items, did not assign a valuation to all items on the equipment inventory, and did not supply an accurate and updated inventory on its Fixed Asset Report to the Office of the State Comptroller. As a result, the Division had limited assurance that its inventory was properly safeguarded or accurately valued.
- The Energy Facilities Siting Council did not maintain accurate records of the valuation, location, condition, and serial number of equipment items, and did not appropriately tag property and equipment. As a result, the Council could not be assured that its assets were safeguarded against loss or misuse.

Inadequate Control Over Property and Equipment

Continued

- George E. Fingold Library did not maintain a physical inventory listing of rare and valuable historical collections as of June 30, 1988 or file its annual Fixed Assets report with the Office of the State Comptroller. As a result, there was no record with the State Comptroller of 1988 inventory acquisitions and sales/disposals. The Library has apparently been unable to value its rare collections and has sought the Office of the State Comptroller's assistance in this regard.
- The Massachusetts Council on the Arts and Humanities did not maintain current physical property inventory records or conduct an annual physical inventory during the audit period. As a result, the Council could not accurately identify or assure the safeguarding of its property and equipment.
- The State Lottery Commission did not inventory or tag its 5,000 betting stations valued at approximately \$1.1 million. These stations, desk-like fixtures that provide a writing surface for marking lottery tickets, are located at various sales agents' outlets throughout the state. However, there is not a master list indicating their precise location and, consequently, the Commission had limited assurance that its property was adequately protected against loss or misuse.

Incorrect Billings and Potential Vendor Overcharges

The OSA audit of state telephone systems disclosed that bills for specialized service did not provide adequate detail necessary to identify specific charges and that circuit termination charges for Centrex lines installed outside Centrex areas were not assessed uniformly. In addition, the vendor's bills for leased telephones were not supported by inventory of equipment on hand. Examples include:

- The Telephone Systems of the Commonwealth issued bills for such specialized charges as mobile radios and private lines which appeared as total amounts, rather than itemized. This practice, as well as that of including multiple lines on one bill, did not provide sufficient information necessary to identify services actually provided. Specifically, during the month selected for audit, the Metropolitan District Commission (MDC) received nineteen special service bills, ten of which contained charges for lines they had requested be removed at a savings of \$888.70 per month. In two cases, the MDC had ordered the vendor to remove the lines years ago, but did not realize the action had not taken place because bills did not contain adequate detail to readily identify what lines the bills covered. Bills which reflect only total amounts as a monthly charge for special service do not allow agency personnel to determine what services are actually provided and create the potential for overcharges to the state.

Prior Audit Results: Corrective Actions

- The Telephone Systems of the Commonwealth's charges for Centrex lines outside a Centrex area were not uniformly assessed. Certain agencies were underbilled, while others were overbilled. The OSA audit disclosed that while the correct charge for each line should have been \$55.10, actual charges ranged from zero to \$110.20.
- The Telephone Systems of the Commonwealth issued bills for leased telephones at the MDC that were not accurate. These bills reflected charges for a greater number of phones than were identified during a physical inventory of leased phone equipment. This resulted in overcharges to the MDC.

Revenue Not Maximized

The following example of loss of potential revenue was noted:

- The Community Antenna Television Commission made more timely deposits of its receipts to the State Treasurer's Office than had been noted in a prior audit, but still did not deposit all its cable franchise fees within 24 hours of their receipt. Totals of \$763,222 (out of \$947,400) in franchise fees collected in fiscal year 1988 and \$433,229 (out of \$1,096,573) collected in fiscal year 1989 were deposited between 2 and 31 days after their receipt. As a result, there was a loss of interest earnings on funds that could have been invested by the State Treasurer.

Special Audit Section

State Agencies Internal/External Audit Activity

The OSA conducted a survey which identified those state entities that have an internal/external audit capacity and reviewed the scope of their audit activities during the past three years. The goal was to provide information to the Administration and to the Legislature which would be useful in evaluating the various internal audit functions. Twenty agencies with a combined staff of 351 have audit activity. Twelve have internal audit groups, and eight have external audit groups that perform audits of contractors, vendors, or other agencies. The combined budget for fifteen of the twenty audit groups in fiscal year 1989 amounted to over \$10.8 million. The remaining five agencies were unable to provide budget figures because they did not have a separate line item for audits. The following issues were identified in the OSA survey:

■ New Technological Capacity in State Government

The Commonwealth's statewide automated accounting system, the Massachusetts Management Accounting and Reporting System (MMARS), with its attendant control features, may make some internal audit functions duplicative.

**State Agencies
Internal/External
Audit Activity**

Continued

■ **New State and Federal Legislation**

Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls Within State Agencies, places responsibility for controlling state programs at the senior management level, in accordance with internal control guidelines established by the State Comptroller. In addition, the federal government now requires a comprehensive statewide Single Audit of the Commonwealth's entire financial operations, coordinated by the Office of the State Comptroller. It would therefore be beneficial to review the Commonwealth's internal audit resources to assure a sufficient centralized internal audit function by the State Comptroller, with a corresponding reduction of other agency internal audit activity.

■ **Standards and Independence**

All of the internal audit groups surveyed followed established audit processes and standards. Certain agency audit functions may not be sufficiently independent, however, and might be considered for inclusion under the mandate of the Office of the State Auditor.

**Supplementary
Health Care
Insurance**

The OSA conducted a review of nongroup and Medicare supplementary health care programs in accordance with Chapter 23, Section 74, of the Acts of 1988. The major issues disclosed in this review were:

■ **Availability, Financing, and Government Incentives Available for Nongroup and Medicare Supplementary Health Care Insurance**

The OSA survey showed: (1) the availability of nongroup and Medicare-supplementary health care insurance is limited and restrictively expensive; (2) with the exception of Blue Cross and Blue Shield, for which government incentives allow for financing alternatives, the financing for nongroup and Medicare supplementary health care insurance is limited to the people who pay the premiums; and (3) government incentives to provide nongroup and Medicare supplementary health care insurance are nonexistent for the commercial carriers, are limited for Health Maintenance Organizations, and are substantial contributing factors in the viability of Blue Cross and Blue Shield.

■ **Examination of Profitability of Nongroup and Medicare Supplementary Health Care Programs Offered by Blue Cross and Blue Shield from 1977 to 1987**

The OSA review showed that Blue Cross and Blue Shield's profits and losses for nongroup and Medicare supplementary health care programs ranged from a \$10,164,000 profit in 1977 to a \$55,291,000 loss in 1987. Several factors contributed to the transition from profit to loss, including escalating health care costs and Blue Cross and Blue Shield's position as insurer of last resort.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Corrective action, based on OSA recommendations, was taken in the following instances:

Department of Public Utilities (DPU)

- DPU has improved the safeguarding of its property and equipment by tagging all inventory items and properly reporting inventory valuation.

Division of Administrative Services within the Purchasing Agent's Division

- The Division is now properly maintaining its purchase-order receiving report for its Central Reproduction Account. Specifically, reports are being signed by an authorized employee verifying that goods were received and describing the quantity and quality of these goods.
- The Division is now properly billing and collecting revenue from printing requests made by state agencies.

Division of Fisheries and Wildlife

- The Division has improved accounting controls over revenue by reconciling license books to register receipts. In addition, during the reconciliation process Division personnel determined that certain license agents were delinquent in remitting over \$150,000 in license fees to the Division during calendar years 1985 through 1989. The Division has turned over information concerning these delinquent cases to the Attorney General's Office for collection. Also, the OSA is currently reviewing these delinquent accounts as part of a separate special audit.
- The Division has assured that all 104 sporting goods stores authorized to sell sporting, hunting, fishing, and trapping licenses are properly bonded.

Division of Registration Within the Executive Office of Consumer Affairs

- The Division is now in compliance with applicable state purchasing regulations.

**Division of
Standards of the
Executive Office
of Consumer
Affairs**

- The Division has improved payroll controls by having employees prepare time sheets that account for hours worked as well as vacation and sick leave. These time sheets are reviewed and initialed by the appropriate supervisors.
- The Division has improved the safeguarding of its property and equipment by marking its equipment with prenumbered identification tags and by conducting required physical inventories.
- The Division is now printing serial numbers on the face of the license forms for retail sale of motor fuel oil, rather than on a portion of the license that is detachable. This has improved the Division's ability to account for revenue received.

**Energy Facilities
Siting Council**

- The Council has improved payroll controls by requiring its employees to record their attendance, as well as sick and vacation time, on weekly time sheets. These time sheets are then reviewed and approved by the Council's Executive Director.

**George E. Fingold
Library**

- The Library has improved the safeguarding and preservation of its rare book collections by installing two dehumidifiers, a hygromograph, and smoke detectors in the vault area and by upgrading its security alarm system.

**Office of
Management
Information
Systems (OMIS)**

- OMIS no longer has consultants supervising state employees, and is therefore in compliance with Section 29A of Chapter 29 of the MGLs. In addition, the compensation rate procedures for data processing consultant services are in compliance with Executive Office of Administration and Finance regulations.
- OMIS is maintaining the appropriate documentation to support payments for consultant expenditures.
- OMIS has improved the safeguarding of its property and equipment by properly maintaining inventory records.

**Public Access
Board**

- The Board has improved the safeguarding of its property and equipment by conducting an annual physical inventory and by tagging and indicating the value of equipment items.

Public Employee Retirement Administration (PERA)

- PERA has strengthened its internal control procedures by maintaining proper accounting records and reconciling receipts on a monthly basis.
- PERA is now verifying pension benefit calculations for the State Board of Retirement, the State Teachers' Retirement Board, and the City of Boston Retirement Board.

State Lottery Commission

- The Commission is maximizing interest income on its retained revenue originating from Beano licenses, taxes, and the sale of gaming materials by moving these revenues from a non-interest-bearing checking account to interest-bearing accounts.
- The Commission is now complying with state rules and regulations governing employee vacation carryover and sick-leave policy.

Initiatives

The following are among the planned and ongoing initiatives relative to various state agencies and programs:

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| Contractor Claims | ■ The OSA is continuing to review the systems in place at the Metropolitan District Commission (MDC) relative to construction and maintenance contracts. Issues that are being examined include: contract requirements, cost overruns, extra work orders, change orders, and maintenance procedures for completed projects. |
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| Depression of the Central Artery/Third Harbor Tunnel | ■ The OSA is a member of a multi-agency group, the purpose of which is to identify and prevent potential fraud, waste, and abuse during the construction of these projects as well as the clean-up of Boston Harbor. Other entities in the multi-agency group include the Federal Bureau of Investigation, the Postal Inspection Agency, the State Inspector General's Office, the U.S. Attorney's Office, the U.S. Department of Transportation, the U.S. Environmental Protection Agency, and the U.S. Labor Department's Office of Labor Racketeering. |
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| Single Audit of the Commonwealth | <ul style="list-style-type: none">■ During fiscal year 1991 the OSA will once again be a full partner in performing the "Single Audit of the Commonwealth". The OSA will continue to perform the following audit functions: (1) determining the relationship of Net State Tax Revenues to Allowable Tax Revenues (Tax Cap Determination); (2) reporting on agency compliance with the Office of the Comptroller's Official Year-End Closing Instructions for Cash and Revenue Management, (3) reporting on agency compliance with the Office of the Comptroller's Official Year-End Closing Instructions for Encumbrance and Advance-Fund Management.■ As a partner in the "Single Audit," the OSA will provide staff resources to audit federal programs to determine whether state agencies are in compliance with applicable federal rules, regulations, and laws. Audit staff will also conduct audit procedures that are needed to render an opinion on the Comprehensive Annual Financial Report, such as verifying certain accounts and documents at several agencies and testing selected financial transactions to determine the accuracy and quality of Generally Accepted Accounting Principles (GAAP) data gathered for the GAAP-based financial statements. |
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Audit Results

State Deferred Compensation Plan

- The OSA is examining all aspects of the selection process for an administrator of the state-sanctioned retirement or annuity plan and the operation and management of all such plans, including the deferred compensation savings plan.

Technical Assistance Under the Internal Control Statute

- The OSA is assisting agencies in fulfilling the reporting requirements of Chapter 647 of the Acts of 1989, an act relative to improving the internal controls within state government. This new law requires the development and implementation of internal accounting and administrative control systems in state agencies. The original bill was filed by the OSA in response to recurring audit findings of insufficient internal controls within state agencies. The federal government as well as Rhode Island, Tennessee, and California have adopted similar laws to strengthen integrity in fiscal management practices and to protect the state's assets. The OSA has developed and disseminated guidelines, questionnaires and forms to facilitate the reporting of unaccounted for variances, losses, shortages and/or theft of funds or property to the OSA. In addition, the OSA, along with the Comptroller's Office, has provided training to state agencies regarding their responsibilities under Chapter 647. The OSA has received a number of requests to identify the extent and cause of shortages at agencies, and to make recommendations to improve those internal controls that allowed the variances to occur. Results of these special reviews will be detailed in subsequent Semi-Annual Reports.

Electronic Data Processing Audits

During the report period, the OSA issued ten electronic data processing (EDP) audit reports detailing strengths and weaknesses of internal controls within computer-related areas. In addition, the OSA's EDP Audit Division has continued to survey data processing operations throughout the Commonwealth to gather profile and audit-related information. Results from this survey allow the EDP Audit Division to schedule audit engagements based upon levels of risk regarding agency data centers or automated systems. By electronically accessing the state's primary financial system, the Massachusetts Management Accounting and Reporting System (MMARS), the Division generated 150 automated reports (data extracts) to support OSA auditors in performing financial audits. Data extracts provide detailed information on financial transactions and can significantly reduce the hours of manual research. Additionally, the Division provided OSA field staff with 19 random number reports to assist field auditors in meeting statistical sampling objectives. An example of using this sampling technique is to apply the random number set to a sorted batch of pre-numbered cancelled checks, thereby producing a statistically valid sample.

Audit Results

The OSA's EDP Audit Division provides expertise to evaluate internal controls relating to computer systems which process financial data or perform critical functions within the Commonwealth. The primary audit responsibility of OSA's EDP Audit Division is to conduct internal control examinations of the Commonwealth's automated systems and processing environments. The objective is to determine whether sufficient controls are in effect to ensure that automated systems can be relied upon and that processing is performed in an accurate, complete, and timely manner. The Division conducts audits of application systems, systems under development, and data processing facilities. The audits may include examinations of access security, environmental protection, computer operations, resource management, program-change control, data integrity, EDP-related contracts and procurement, disaster recovery/contingency planning, backup of magnetic-storage media, and microcomputer-based systems.

Disaster Recovery and Contingency Planning

The overall objective of disaster recovery and contingency planning is to ensure that computer operations deemed critical and important can be promptly regained in the event of significant disruptions or loss of processing capabilities. Further objectives of contingency planning are to safeguard data, programmed software, and critical documentation; to ensure employee safety; to minimize security exposures and system damage; and to reduce the time required to recover from events which could significantly delay or prohibit processing. Examples of deficiencies in these areas include:

- Department of Revenue (DOR) had made improvements in the areas of disaster recovery and contingency planning, but needed further enhancements. Specifically, the DOR would be unable to regain sufficient processing capabilities without significant delay and additional cost should a disaster occur at its main processing facility. The OSA recommended that the DOR formalize its disaster recovery and contingency planning process, along with assessing the criticality of its systems.
- Greenfield Community College did not have a disaster recovery and contingency plan to ensure that critical data processing operations could be regained for both the academic and administrative data centers. The OSA recommended that the College review its automated systems to identify critical processing and resources, and establish recovery priorities. Based upon this assessment, the College should develop and test a disaster recovery plan.

Disaster Recovery and Contingency Planning

Continued

- Massachusetts College of Art did not have adequate disaster recovery and contingency planning. Because the College had not considered this a priority, the resources necessary to develop a disaster recovery plan had not been committed. Since the College had assessed the relative importance of its automated systems, the OSA recommended that they proceed with the development of a disaster recovery plan.
- The Office of the Chief Administrative Justice (OCAJ) did not have a formal disaster recovery and contingency plan in effect, nor had the criticality of its applications been assessed. The OSA recommended that the OCAJ conduct an internal control risk analysis and then proceed to develop a comprehensive disaster recovery and contingency plan to assure adequate performance of its computerized activities should a business interruption occur.
- Westfield Housing Authority's follow-up audit disclosed that the Authority had inadequate disaster recovery and contingency planning, which continued to place the Authority at risk should significant disruptions in computer operations or loss to processing capabilities occur. The OSA recommended that the Authority develop a more comprehensive disaster recovery plan and arrange a test of the plan at its alternate processing site.
- Worcester State College had not implemented adequate disaster recovery and contingency planning to ensure that critical processing for the College's main administrative system could be regained in the event of a disaster. The OSA recommended that the College develop a disaster recovery plan based upon the results of an internal criticality assessment to identify application priorities.

Disaster Recovery Testing

The OSA observed disaster recovery tests conducted by the Office of Management Information Systems (OMIS) on January 5, 1990, and reviewed further results from additional tests on April 20, 1990. The scope of this project included a review of procedural activities relating to the MMARS, the Commonwealth's Automated Payroll System (CAPS), and the Personnel Management Information System (PMIS) disaster recovery simulation. The tests results indicated that the MMARS, the CAPS, and the PMIS applications could be recovered at the off-site processing facility within a timely manner, and that sound security practices were in place over critical tape media during the simulation. Additionally, disaster recovery meetings were conducted following the tests to discuss issues that may need to be addressed and strengthened. The OSA supports the Office of Management Information Systems effort to conduct disaster recovery testing, document testing results, and improve overall recovery procedures.

EDP Audit Inventory

All state-owned or leased computer-related equipment should be properly tagged with inventory numbers which should be recorded on a detailed list of inventory. In the following instance, inventory controls needed improvement to ensure that data processing equipment was properly accounted for and protected against loss or theft:

- The Office of the Chief Administrative Justice (OCAJ) could not readily determine the current location of computer-related equipment because a complete master inventory list was not being maintained. The EDP-related inventory lists reviewed were found to be neither complete nor compatible. Further, the OCAJ had not maintained current EDP-related inventory records on the state's automated computer inventory system, as required by annual appropriation acts. The system, called the Data Processing Inventory Management System (DPIMS), is managed by the Bureau for Systems, Policy and Planning. The DPIMS is an automated inventory system containing information regarding the purchase, location, ownership, and identification of the Commonwealth's computer equipment. It was recommended that the OCAJ management maintain a perpetual inventory that would be kept current by recording incoming and outgoing equipment, and that the OCAJ update and maintain its inventory records in DPIMS.

Environmental Protection

Without proper environmental protection for a data center, or an on-site and off-site media storage room, significant risks exist regarding the safety of staff and equipment. In addition, significant risk of damage to the data center itself, as well as to other areas of an agency's physical plant exists without adequate environmental protection. Specifically:

- Greenfield Community College needed to improve environmental protection at both its administrative and academic data centers. The OSA noted inadequate placement of smoke detectors, the absence of automatic fire-suppression devices, and an insufficient amount of fire extinguishers for the administrative data center. In addition, there was an absence of smoke detection or fire suppression devices within the academic data center. The OSA recommended that the College install effective fire detection devices and suppression equipment, along with training appropriate staff in emergency procedures.
- The Office of the Administrative Justice (OCAJ) did not have adequate fire suppression capabilities at its Cambridge data center, leaving the data center at risk should a fire occur. The OSA recommended that OCAJ upgrade their halon fire suppression system, in accordance with the newly adopted local ordinances, to adequately accommodate the expanded data center.
- Regents Computer Network's (RCN) data center location contained several environmental deficiencies. Specifically, heating elements and hot water pipes were found to have missing protective attachments on the vacant floors above and below the RCN's data center. Because the RCN was located between two vacant floors, the possibility of fire or water damage could go undetected, placing the RCN at risk.

Implementation of "Colleague" System

"Colleague" is a comprehensive software package developed for educational institutions, enabling college personnel to perform a wide variety of administrative and financial functions. Specifically, "Colleague" allows state colleges to perform transactions such as student admittance, registration, student billing, tuition payments, and vendor payments. The OSA performed EDP audits during this six-month period of the two public colleges that utilize the "Colleague" system.

- Massachusetts College of Art purchased eleven "Colleague" modules in 1982 but had not fully implemented its accounts payable and purchasing modules until July, 1989, and March, 1990, respectively. In addition, the College was in the process of implementing the general ledger module during the audit period. Further, the College paid \$7,190 in software maintenance costs over six years for the payroll module that was never used. Without stronger project management from senior management, the College will not achieve the intended benefits from the system. The OSA recommended that the College continue to implement the general ledger module, thereby enabling it to produce financial statements for its 23 trust funds housed within the computerized system.
- Worcester State College's implementation of the "Colleague" system remained behind schedule, preventing the College from using the system to its fullest potential. In 1987, the College purchased seventeen "Colleague" modules, with all but five (fixed assets, inventory, physical plant, personnel and purchasing) being implemented at that time. In addition, the College had paid approximately \$10,000 over a four-year period for software maintenance on the five system modules that had yet to be implemented. During the audit period, however, the College was implementing the purchasing module which would enable its Fiscal Affairs Office to automatically produce purchase orders. The OSA recommended that the College proceed with the implementation of the purchasing module, and that management revise the schedule to expedite this implementation of the remaining four modules.

Off-Site Backup and Storage

Off-site storage of backup magnetic media and software should be performed to prevent the loss of important data, as well as to protect an agency's investment in computer software should on-site backup copies be destroyed. Failure to store critical information off-site risks an agency's ability to restore and resume critical processing within an acceptable period of time. During this six-month period:

- Greenfield Community College did not have an off-site location to store backup magnetic media for either its administrative or its academic data processing centers. The OSA recommended that the College arrange for off-site storage as soon as possible.
- The Group Insurance Commission had not developed standards and policies for the provision of off-site backup and data storage. The OSA recommended that the Commission develop standards and policies to address this issue.

Physical Security Controls

Several OSA-EDP audit reports disclosed the lack of adequate physical security controls to detect or prevent unauthorized access to a data center. Such deficiencies increase the risk that unauthorized persons may gain access to data centers; may cause loss of, or damage to equipment; or may operate the system to alter, destroy, or steal software or data. Specifically:

- Greenfield Community College needed to strengthen physical security conditions at its administrative data center to ensure that sufficient preventive and detective physical access controls were in place to prevent unauthorized entry, theft, or damage. The OSA recommended that the College's data center management perform a security risk assessment to identify potential threats and to ensure that adequate controls are in place to maintain a secured environment.
- Regents Computer Network (RCN) was previously situated at a location that had inadequate physical security conditions, caused by its landlord's security-guard system being deficient in screening persons entering the building during evening and early morning hours. The RCN's current location was also found to have similar inadequacies in physical security. The OSA recommended that the RCN ensure that its new location has adequate physical security prior to taking full occupancy. Follow-up audit of the RCN's new location will determine enhancements made.

Initiatives

- Worcester State College needed to strengthen physical security measures after normal business hours to ensure that access to its data center was limited to authorized staff members. The OSA recommended that the College develop written policies and procedures, thereby allowing data center access to authorized personnel only.

Procurement of EDP-Related Services

The OSA's EDP audit review of the Massachusetts Water Resources Authority's (MWRA) "Systems Integrator Project" disclosed deficiencies in the area of procuring computer-related services. The failure of the MWRA's first Request for Proposal (RFP) to provide adequate information to bidders necessitated the withdrawal of the RFP, resulting in a second RFP at a substantial cost increase. In addition, the OSA took exception with certain point allocations used in the evaluation methodology. Points were allocated to vendor presentations, demonstrations, and site visits rather than making adjustments, if needed, to evaluation points received for functional areas. Further, an outside consultant was hired to perform bid cost comparisons and to review vendor submissions for compliance with mandatory requirements as specified within the RFP, instead of the the MWRA's selection committee.

System Access Security

Industry guidelines, or baseline controls, indicate that appropriate access controls be in place for critical or high-risk systems to ensure that only authorized personnel obtain system access. Without system access restrictions, unauthorized access could result in system data and/or programs being disclosed, damaged, deleted, or modified. For example:

- The Office of the Chief Administrative Justice (OCAJ) had not defined or assigned security responsibilities, resulting in weaknesses over password administration which exposed the OCAJ to unauthorized access to system data. The OSA recommended that the OCAJ define and assign the responsibilities for security administration for all data processing operations.
- Worcester State College had not developed written policies and procedures to address access security, nor did the College periodically change passwords. The OSA recommended that the College document its access policies to ensure that passwords are changed on an established basis.

Unauthorized Use of Copyrighted Software

The unauthorized copying of licensed and/or copyrighted software violates Office of Management Information Systems policies and procedures, as well as federal copyright law. During the six-month period, the OSA specifically found:

- The Group Insurance Commission maintained five microcomputers that contained unauthorized software, thereby placing the Commission in violation of federal copyright infringement laws. The OSA recommended that the Commission either correct or remove the unauthorized software.
- Westfield Housing Authority, by taking steps to either correct or eliminate unauthorized or inappropriate software, was found to be in compliance with previous EDP-Audit recommendations.

Initiatives

50 State Survey

For the past three years, the OSA's annual *EDP Audit Operations: A 50 State Survey*, has provided information on current EDP audit practices as performed by the nation's state audit offices. Specifically, the survey solicits information in 33 categories, including methods of EDP auditing, EDP audit administration, auditing of microcomputers, use of audit software, training of audit field staff, and the use of technology to enhance EDP audit effectiveness and efficiency. The distributed survey results are used not only by the OSA staff, but at state auditing offices throughout the country.

The 1990 *EDP Audit Operations: A 50 State Survey* will be issued during the upcoming six-month period. Previous surveys have shown the OSA to be in the forefront in providing internal EDP-audit training for field staff and have also pointed indicated that the OSA's average time from formal exit to the issuing of the final EDP Audit report is 25 days, placing it in the top five states for this category.

Disaster Recovery & Contingency Planning Audit

The OSA's EDP Audit Division is currently conducting a state-wide examination of EDP-related internal controls related to disaster recovery and contingency planning at over 30 agencies. The objective of the audit is to assess the extent to which state agencies have implemented contingency plans for the recovery of critical computer processing. The project will provide the OSA with a comprehensive overview of how state agencies address the issue of disaster recovery and contingency planning.

Enforcement Agencies: Referrals & Requests

OSA audits not only attempt to safeguard the Commonwealth's assets but to ensure compliance with the laws of the Commonwealth. Because OSA audits may disclose possible violations of state and federal laws, the OSA cooperates with various law enforcement agencies such as District Attorneys, the Department of Public Health, local health authorities, the Secretary of Public Safety's Office of Investigations, the Attorney General's Office, the Office of the Inspector General, and the State Ethics Commission, as well as federal law enforcement agencies. In addition, the OSA routinely reports violations of income-reporting laws and regulations to the Internal Revenue Service and the Massachusetts Department of Revenue. Finally, during this report period, the OSA was asked by several law enforcement agencies to provide technical assistance during specific investigations.

Law Enforcement Requests for Special Investigations

Bridgewater School Department

- The OSA is assisting the Plymouth County District Attorney's Office in an ongoing investigation of alleged financial improprieties at the Bridgewater School Department.

Oak Bluffs Water Department

- The OSA, at the request of the Barnstable County District Attorney, conducted an examination of certain records of the Oak Bluffs Water Department to confirm whether funds were missing.

University of Massachusetts/Boston

- In conjunction with the Attorney General's Office, the OSA is reviewing the books and records of the Bursar's Office as part of an investigation of alleged financial improprieties.

Worcester County House of Correction

- At the request of the Worcester County District Attorney's Office, the OSA is currently reviewing the possible misappropriation of funds at the House of Correction.

Referral: Office of the Attorney General

Department of Social Services (DSS) Day Care Provider

- The OSA's audit of the Department of Social Services' Basic Day Care Programs identified an issue which was believed to warrant further investigation by the Attorney General's Office. The audit disclosed that one day care provider billed and received reimbursements totalling \$20,194 during fiscal year 1988 for units of service that were never provided. In several instances, that provider billed and received reimbursements for students who had left the program up to six months earlier.

Referral: State Ethics Commission

Massachusetts Criminal Justice Training Council (MCJTC)

- The OSA's review of MCJTC's contractual and purchasing activities disclosed certain practices which may be in violation of the conflict-of-interest law. A half-brother of the former Executive Director was paid \$12,500 by MCJTC for services performed coordinating the refurbishing of MCJTC's administration headquarters; a printing firm owned by the ex-wife of the former Executive Director was paid a total of \$22,684 during the period of our audit; the former Executive Director of MCJTC and the Executive Vice-President of a MCJTC contractor have joint ownership of a house; the Executive Vice-President of the contractor also maintained a joint partnership with a former MCJTC training director; and the brother of the former Director of Administration was paid \$11,400 for electrical work performed at MCJTC's administration headquarters.

Completed Special Investigations

Haverhill Day Care Center

- At the request of the District Attorney for the Eastern District, the OSA conducted an investigative audit focusing on alleged fraud at the Center. The OSA review uncovered \$25,602 in fraudulent disbursements allegedly made by the former Executive Director.

Following the OSA review, the District Attorney charged the former Executive Director with embezzlement. On September 20, 1989 the Essex County Grand Jury handed down indictments on two counts of larceny and on March 8, 1990 the former Executive Director pleaded guilty to two counts of larceny.

Massachusetts Criminal Justice Training Council (MCJTC)

- In October 1988, the Attorney General's Office requested the OSA's assistance in an ongoing investigation of alleged irregularities at the MCJTC. The OSA audit focused on MCJTC expenditures with special emphasis on service contracts, consultant contracts, cash advance accounts, and equipment inventory. Based on evidence presented by the Attorney General's Office involving alleged multiple criminal, conspiracy, and conflict-of-interest activities, a Suffolk County Grand Jury returned indictments against the Council's former Executive Director and two former MCJTC consultants. On June 5, 1990, the former Executive Director pleaded guilty in Suffolk Superior Court to charges of larceny, violations of the Commonwealth's conflict-of-interest laws, filing false tax returns, accepting unlawful gratuities, and filing false statements of financial interest. On June 15, 1990, one of the former MCJTC consultants was convicted in Suffolk Superior Court on charges of bribery, conspiracy to commit larceny, conspiracy to make and present false claims to the Commonwealth, making and presenting false claims to the Commonwealth, and giving illegal gifts to a state official in violation of the state's conflict-of-interest statute.

Referral:

Completed Special Investigation of the Office of the Attorney General

On October 1988, the Attorney General's Office requested the OSA's assistance in an ongoing investigation of alleged improper use of the MCJTC. The OSA's role was to conduct an MCJTC audit. The OSA's audit was completed on March 8, 1990. The former Executive Director pleaded guilty to two counts of larceny and on March 8, 1990 the former Executive Director pleaded guilty to two counts of larceny.

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Division of Local Mandates

The Division of Local Mandates (DLM) was created by Proposition 2 1/2 to help ensure that no cost obligations are passed on to cities and towns by the Commonwealth without state funding. The primary function of DLM is to determine whether laws, rules, or regulations, either proposed or in effect, are subject to this provision of Proposition 2 1/2, and to determine cost impacts on cities and towns. (For a listing of DLM determinations and cost studies for the period of January 1, 1990 to June 30, 1990, see Appendix II, p. 101.)

In addition to making mandate decisions, DLM makes recommendations to the General Court, under the Sunset Law, Chapter 126 of the Acts of 1984, regarding pre-1981 laws and regulations having a significant financial impact on cities and towns.

Legislative Studies

One of the major priorities of DLM has been to establish a responsive Legislative Review Program to analyze draft and pending legislation and provide assistance to the Legislature on mandate-related issues. To ensure that the mandate implications of legislation are considered by the General Court, DLM reviews thousands of bills, prepares preliminary cost studies when appropriate, and contacts members of the Legislature to make them aware of DLM concerns.

In addition, DLM receives requests for assistance from individual legislators, legislative committees, municipalities, and government associations. Cost estimates prepared by DLM of pending legislation resulted in recommendations that were incorporated into a wide variety of bills. The following are examples of legislative proposals for which financial impact reviews were provided.

Senate 502

An Act Relative to Regional Health Districts

At the request of Senator Patricia McGovern, Chairperson of the Senate Committee on Ways and Means, the Division reviewed Senate 502 to determine its financial impact on municipal budgets. This bill would allow cities and towns to form a regional health district with the Commonwealth's reimbursing the initial capital outlay cost incurred in forming such a district.

The Division's review indicated that the bill would not impose costs on cities and towns because of the local option provision contained in the bill whereby cities and towns were individually required to vote to form such districts.

Status: Senate 502 received a favorable report from the Joint Committee on Health Care and was referred to the Senate Ways & Means Committee.

Senate 563

An Act Providing Suitable Recognition of Those Residents of Massachusetts Who Shall Have Served in the Armed Forces of the United States During the "Lebanese Peace Keeping" and the "Grenada Rescue Mission"

At the request of Senator Patricia McGovern, Chairperson of the Senate Committee on Ways and Means, the Division reviewed Senate 563 to determine its financial impact on municipal budgets. Section 6 of this bill would require city and town clerks to provide information relative to residency to the State Treasurer, or to persons claiming a veteran's award in recognition of service in the "Lebanese Peace Keeping" and the "Grenada Rescue Mission".

Senate 563

Continued

DLM determined that providing information sufficient to establish the domicile of the estimated 300 Massachusetts veterans from these campaigns would result in only incidental administrative costs and therefore would not impose an "additional service or cost obligation" upon cities and towns within the meaning of the local mandate law.

Status: Senate 563 received a favorable report from the Joint Committee on Human Services and was referred to the Senate Ways & Means Committee.

Senate 952**An Act to Establish a Merrimack River District**

Senator Patricia McGovern, Chairperson of the Senate Committee on Ways and Means, requested that the Division review Senate 952 to determine the financial impact of the bill on municipal budgets. This bill would grant representation for nineteen Merrimack River Valley cities and towns as voting members of the Merrimack River District Council which would be created by the proposed legislation.

The Council would be responsible for reviewing and investigating a variety of issues impacting the Merrimack River including development, environmental protection, and recreational uses. The Council would be authorized by Senate 952 to make recommendations to cities and towns and other parties on "river-related issues", would meet regularly, and would file an annual report.

Our review indicated that this proposal, as drafted, would, in the form of mandatory membership and annual operating expenses, impose "a direct service or cost obligation" upon cities and towns within the meaning of the local mandate law. DLM's research also indicated that acts providing for establishment of districts are generally subject to acceptance by member cities and towns.

Therefore, the Division suggested amendments for consideration which would provide for a local acceptance provision replacing the mandatory membership provision of Senate 952 to prevent involuntary imposition of district operating expenses on its members. This amendment, providing for local acceptance to become a member of the district and for approval of the annual district assessment by two-thirds of the member-community appropriating authorities would bring Senate 952 into conformity with the local mandate law and add an extra measure of local control over district budgets.

Status: Senate 952 received a favorable report from the Joint Committee on Natural Resources and was referred to the Senate Ways & Means Committee.

Mandate Determinations

Senate 1160 An Act to Produce Uniformity in Production of Certified Payroll Records and to Increase the Application of Certain Laws Relating to Public Works

At the request of Senator Patricia McGovern, Chairperson of the Senate Committee on Ways and Means, the Division reviewed Senate 1160. This bill would bring contracts for rented equipment and moving of office furniture under the recordkeeping and penalties provisions of MGL Chapter 149, Sections 27B and 27C, the "Prevailing Wage Law". DLM determined that the recordkeeping costs required by the bill would fall under the "incidental administration" exclusion of the mandate statute. The provisions of the bill which would raise the financial penalties for violation of MGLs, Chapter 149 were also not subject to the mandate statute because penalties for violations of state law are not considered a "direct service or cost obligation" within the meaning of the mandate statute.

Status: Senate 1160 received a favorable report from the Joint Committee on State Administration and was referred to the Senate Ways & Means Committee.

Senate 1515 An Act Relative to the Employment Security Law

At the request of Senator Patricia McGovern, Chairperson of the Senate Committee on Ways and Means, the Division reviewed Senate 1515. Its Section 14 would require any political subdivision of the Commonwealth, such as cities and towns, to pay the Department of Employment and Training (DET) funds owed any employer for services contracted by these municipalities if it is determined that the employer was delinquent for debts due DET. Because these funds forwarded to DET would be legally due the employer for services rendered, there would be no cost to cities and towns except incidental administration expenses which are not subject to state assumption under the mandate law.

Its Section 17 would require any agency or instrumentality of the Commonwealth, in licensing any profession, trade or business, or in contracting with any employer, to have such party certify that it has paid all taxes due DET. Further, this section would require agencies and instrumentalities of the Commonwealth to provide DET with any information necessary to carry out the requirements of this section. Based on the definitions contained in MGLs, Ch. 151A, S.1 (i) and confirmation from DET officials, political subdivisions, which include cities and towns, would not be subject to, and therefore not required to comply with, this section.

Status: Senate 1515 was redrafted and became Senate 1666 (Sections 14 & 17 remained unchanged). Senate 1666 was enacted into law and is now Chapter 154 of the Acts of 1990.

House 4105

An Act Further Regulating Historic Districts

At the request of House Chairman Christopher Hodgkins of the Joint Committee on Local Affairs, the Division reviewed House 4105. The Division estimated that the enactment of this legislation would result in additional costs of \$10,800 to the 75 municipalities which have established local historic districts pursuant to MGLs, Chapter 40C. This represents an added \$144.00 to each of the 75 cities and towns due to the proposed "certified mailing" provision of House 4105.

The Division also advised the Committee that the costs have the potential to increase if significant numbers of persons file written requests with local commissions for notice of hearings. The Division further advised that the mandate law would not apply if commissions voluntarily chose to notify every property owner in a district of a public hearing, as allowed under Section 11.

Status: House 4105 received an unfavorable report from the Joint Committee on Local Affairs. The report was accepted by the Legislature, thereby defeating the bill for the session.

Draft Legislation

At the request of Senate Chairperson Lois G. Pines of the Joint Committee on Commerce and Labor, the Division reviewed draft legislation to provide property tax exemptions for disabled individuals. The Division's finding was that this proposed legislation would create a new tax exemption and, therefore, would be subject to the local mandate law.

The Division recommended that, to eliminate the mandate concern, consideration should be given to local option language and state funding incentives so that providing fiscal relief to disabled individuals could be accomplished.

Status: The draft legislation was not filed.

Mandate Determinations

Cities and towns are entitled under the mandate statute to petition DLM for a mandate determination on any post-Proposition 2 1/2 law, rule, or regulation believed to impose a municipal cost burden. A listing of all DLM determinations made during this reporting period is included in Appendix II (see p. 101). The following are three examples of determinations that have state-wide interest as well as significant financial impact on cities and towns.

Educational Laws & Regulations

In response to a petition by Mayor Jordan Levy of Worcester, DLM released a determination that certain education laws and regulations are state mandates. DLM found these post-Proposition 2 1/2 state laws and regulations have increased the costs to cities and towns providing public education by an estimated \$34 million statewide over the past four years.

- **Chapter 188 of the Acts of 1985**

Basic skills testing of public school students. Estimated statewide cost: \$9.3 million.

- **603 CMR 28.103**

Expanded special education services for preschool pupils. Estimated statewide cost: \$3.2 million.

- **603 CMR 28.315**

Notification to parents of "at risk" children of parental right to a special education evaluation of their children. Estimated statewide cost: \$3.9 million.

- **603 CMR 28.319.3(a)**

Review of physicians' health assessment reports by school nurses and the entry of any pertinent information from those assessments into school health records. Estimated statewide cost: \$0.9 million.

- **Board of Regents Admission Standards**

Foreign language courses for high school students. Estimated statewide cost: \$16.9 million.

Last year, the City of Worcester filed suit against the state, alleging that the City was being shortchanged by the state's local aid formula and that the state was violating Proposition 2 1/2 by imposing mandates without funding. Over 100 cities and towns have supported Worcester's suit with friend-of-the-court briefs.

Chapter 567 of the Acts of 1989

Out-of-Town Voter Registration

As a result of a petition from the Town of Milton, DLM ruled that Chapter 567 of the Acts of 1989 (MGLs Chapter 51, Section 42F) could become a new state mandate for some municipalities with large numbers of out-of-town workers or students. Until Chapter 567, municipal registration officials were required since 1984 under MGLs Chapter 51, Section 42B, to register out-of-town residents only at a registration session held pursuant to a petition from ten or more voters of that city or town.

Chapter 567 now allows Massachusetts citizens to register to vote in any city or town during any registration session conducted by local elections officials or during regular municipal office hours. This change could impose direct new costs on certain communities in the form of increased administrative expenses.

As a result, and in keeping with the state funding provisions of Chapter 29, Section 27C, the Secretary of State's Office has informed DLM that it will consider seeking an appropriation to reimburse documented expenses for those municipalities that experience more than incidental administrative costs in implementing Chapter 567.

Although unable to identify the precise statewide fiscal impact of this new law, DLM has sampled 25 communities, including several with colleges and universities. Most Registrars of Voters surveyed project that anywhere from 30 (Bellingham) or 400 (Easton, Adams) to as many as 1,000 or more (Quincy, Milton, Worcester, Boston) potential voters who work or attend school in their communities, but who reside elsewhere in the state, will annually take advantage of this new opportunity to register to vote.

The Town of Milton has already filed suit against the Commonwealth in Norfolk Superior Court, requesting to be exempt from Chapter 567 until state funding is provided.

Chapter 23 of the Acts of 1987

Universal Health Care Assessments

DLM has determined that the Health Security Act of 1988, commonly referred to as the Universal Health Care Law, contains a state mandate that will cost cities and towns approximately \$3.2 million each year. Section 46 of the new law requires all employers, including cities and towns, with six or more employees, to pay "twelve-one hundredths of one percent" of each employee's wages to a state trust fund, which would then be used to purchase medical insurance for the unemployed.

DLM determined the specific costs for each municipality and has issued 68 determinations. Meanwhile, Shrewsbury and Lexington have proceeded with a petition to Superior Court to have their two towns and 18 other cities and towns exempted from the provisions of Section 46.

The Commissioner of the Department of Employment and Training, in response to these determinations, and in an attempt to head-off the Lexington suit, sent a letter to cities and towns in early March stating that the "Secretary of Administration and Finance has determined that the liability of cities and towns for the unemployment health insurance contributions is subject to the Commonwealth's local mandate statute." Based on this decision to support DLM's determination, cities and towns have been exempted from this requirement by the Administration.

In addition, the Legislature in its fiscal year 1990 Supplemental Budget appropriated \$3.2 million dollars to fund this mandate.

Sunset Reviews

DLM's mission was expanded in 1984 with the passage of the Sunset Review Law. This law requires DLM to periodically review any state law or regulation that has a significant financial impact on cities and towns, and to make recommendations to the Legislature for the continuation, amendment, or abolishment of the law or regulation. During this report period, DLM has been engaged in a major, comprehensive review of Chapter 766, the Commonwealth's Special Education Law. This review, which is being conducted with the assistance of the OSA's Audit Operations and Electronic Data Processing units, is detailed below.

Chapter 766

Special Education Law

The ongoing review of special education focuses on a variety of special education issues including the Department of Education's (DOE) role in monitoring special education, mainstreaming, out-of-district placements, rate setting, and tuition. This review has included field work at DOE, at the regional offices of DOE, and at the Rate Setting Commission. The OSA plans to release this review during the next report period with recommendations to the Legislature.

Office of the State Auditor: Legislative Agenda

The legislative package developed and presented to the legislature by the OSA addresses significant audit results and, additionally, seeks to increase the efficiency and effectiveness of audit operations. The package, therefore, complements aggregate audit recommendations by suggesting corrective actions in a comprehensive and useful manner.

What follows is a summary of bills introduced in the 1990 legislative session and a review of the progress of each bill to date.

House 13 An Act Requiring State Agencies to Notify the Division of Local Mandates of Proposed Regulations Imposing Costs on Cities and Towns

This bill would help to identify proposed state regulations which impose additional costs on cities and towns. It would also provide that the Division of Local Mandates (DLM), when requested to do so by an administrative agency, assist in determining the financial effect of any proposed regulation. The legislation would neither grant any approval authority to the DLM nor otherwise lengthen the process of rulemaking set by the Administrative Procedures Act. Its aim is to ensure that agencies formally consider the local financial impact of new regulations.

House 13 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 5426 An Act Relative to the Commonwealth's Contract Debarment Process

This bill would provide for a comprehensive redraft of Section 44c of Chapter 149 of the MGLS, the statute that authorizes and outlines the Commonwealth's debarment process. Debarment is an adjudicative process that provides for exclusion from public contracting, for a specified period of time, state contractors who are found guilty of criminal violations or repeated contractual infractions. The State Auditor, in his capacity as a member of the Inspector General Council, has recommended four initiatives that would improve the timeliness and overall effectiveness of the debarment process: authorization to suspend contractors, improvement in the timeliness of hearings, an increase in the potential severity of penalties, and a lessening of the standard of proof.

House 5426 was reported out favorably by the Committee on State Administration and is currently pending before the House Committee on Bills in the Third Reading.

House 5675 An Act Authorizing the State Auditor to Audit Private Foundations of Institutions of Higher Education

This bill would authorize the State Auditor to conduct audits of so-called "private" foundations or organizations established or controlled by a state college or university. These foundations, closely associated with public institutions of higher education, particularly through use of the name of the school, are generally involved in fund raising on behalf of the school. In many instances, foundations also employ members of the school and receive money from, as well as disburse money to, the college or university. The intent of this legislation is to ensure that these foundations are subject to the same financial monitoring as other college trust fund activities.

House 5675 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 5990 An Act Providing for the Deposit of Unclaimed Money with the State Treasurer and Receiver General

This bill, filed jointly with the State Treasurer's Office, would create a centralized fund in the State Treasurer's Office that would serve as a repository for unclaimed funds currently held by the probate courts. This bill, which was filed in response to audit results indicating a need for improved control over, and management of, these funds, provides that the State Treasurer's Office establish a statewide program designed to locate missing beneficiaries and to invest any abandoned monies to maximize interest income.

House 5990 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

Private Occupational Schools: Financial Evaluations

Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor to annually evaluate the financial position of applicants for licensure or registration as private business, trade, or correspondence schools. These student-protection statutes were enacted to ensure that occupational schools requesting licensure or registration from the Department of Education are financially, as well as academically, qualified to operate in Massachusetts.

Educational institutions, once determined by the OSA to be financially responsible, must then secure tuition protection in the amount recommended by the Office of the State Auditor, the sum to be not less than \$5,000 nor more than \$100,000 per school. This protection, in the form of a surety bond, an irrevocable letter of credit, or a term deposit account payable to the Commonwealth, is intended to cover potential tuition refunds to students by allowing them to recover damages resulting from fraud, deceptive student recruitment practices, or from a breach of contract.

As of June 30, 1990, there were 151 private occupational schools on the OSA's active file, representing its annual approval of the financial application filed by 59 business schools, 55 trade schools, 7 correspondence schools, 24 real estate schools, and 6 registered schools.

During the period of this report, 12 prospective new schools were determined to be financially qualified for original licensure or registration, while 7 school applications were reclassified as inactive. During the period covered by this report, a total of 56 financial evaluations were conducted by the OSA, as follows:

**OSA Financial
Evaluations
January 1, 1990
through
June 30, 1990**

| | Chapter 75D Business Schools | Chapter 93 Trade Schools | Chapter 75C Correspondence Schools | Total |
|--------------|------------------------------------|--------------------------------|------------------------------------------|-----------|
| January | 5 | 2 | 0 | 7 |
| February | 5 | 2 | 0 | 7 |
| March | 7 | 4 | 0 | 11 |
| April | 7 | 3 | 3 | 13 |
| May | 6 | 1 | 1 | 8 |
| June | 5 | 5 | 0 | 10 |
| TOTAL | 35 | 17 | 4 | 56 |

Authority Audits

| AUDIT | AUDIT NUMBER | ISSUE DATE |
|------------------------------------------------------|-----------------|---------------|
| 1. Abington Housing Authority | 90-3038-8 | 05/23 |
| 2. Adams Housing Authority | 90-3013-8 | 01/17 |
| 3. Adams Housing Authority | 90-3017-8 | 01/17 |
| 4. Amesbury Housing Authority | 90-3061-8 | 05/15 |
| 5. Amherst Housing Authority | 90-3028-8 | 02/26 |
| 6. Ashland Housing Authority | 89-601-1 | 01/31 |
| 7. Attleboro Housing Authority | 89-603-1 | 03/15 |
| 8. Auburn Housing Authority | 90-3001-8 | 05/15 |
| 9. Ayer Housing Authority | 90-1037-1 | 04/18 |
| 10. Belmont Housing Authority | 90-3008-8 | 03/23 |
| 11. Berkshire County Regional Planning Commission | 90-573-2 | 05/24 |
| 12. Berkshire Regional Transit Authority | 90-876-6 | 04/27 |
| 13. Beverly Housing Authority | 90-612-2 | 06/04 |
| 14. Billerica Housing Authority | 90-3055-8 | 05/10 |
| 15. Bourne Housing Authority | 90-3060-8 | 03/21 |
| 16. Bourne Recreation Authority | 90-844-2 | 06/26 |
| 17. Brewster Housing Authority | 90-659-1 | 06/28 |
| 18. Bridgewater Housing Authority | 90-3035-8 | 06/28 |
| 19. Brockton Regional Transit Authority | 89-881-6 | 05/29 |
| 20. Brookline Housing Authority | 90-623-2 | 06/04 |
| 21. Canton Housing Authority | 90-628-1 | 03/16 |
| 22. Chatham Housing Authority | 90-629-1 | 04/18 |
| 23. Chicopee Housing Authority | 90-3068-8 | 04/27 |
| 24. Concord Housing Authority | 90-3037-8 | 03/23 |
| 25. Danvers Housing Authority | 90-3054-8 | 03/30 |
| 26. Dedham Housing Authority | 90-3064-8 | 03/26 |
| 27. Dennis Housing Authority | 90-3031-8 | 03/02 |
| 28. Dudley Housing Authority | 90-970-2 | 04/23 |
| 29. Duxbury Housing Authority | 90-3067-8 | 03/05 |
| 30. East Longmeadow Housing Authority | 90-647-2 | 05/08 |
| 31. Easthampton Housing Authority | 89-646-1 | 03/29 |
| 32. Easton Housing Authority | 90-3069-8 | 03/26 |
| 33. Executive Office of Communities & Development | 89-1-2 | 06/15 |
| 34. Fall River Housing Authority | 90-3053-8 | 01/19 |
| 35. Falmouth Housing Authority | 90-3057-8 | 04/06 |
| 36. Franklin Regional Transit Authority | 90-1275-6 | 06/28 |
| 37. Gardner Housing Authority | 90-3002-8 | 03/21 |
| 38. Gloucester Housing Authority | 90-3056-8 | 06/26 |

Education Audits

| ISSUE DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|------------|--------------|---------------------------------------------------------------------|--------------|------------|
| 05/03 | 90-1062-2 | 39. Greenfield-Montague Transportation Area | 90-1276-6 | 05/03 |
| 05/22 | 90-1070-2 | 40. Hadley Housing Authority | 90-670-1 | 05/22 |
| 02/26 | 90-3040-8 | 41. Halifax Housing Authority | 90-3040-8 | 02/26 |
| 06/05 | 90-1047-1 | 42. Hampden Housing Authority | 90-842-2 | 06/05 |
| 04/30 | 90-1047-1 | 43. Hampshire County Regional Housing Authority | 89-1047-1 | 04/30 |
| 04/12 | 90-1047-1 | 44. Hanson Housing Authority | 90-902-2 | 04/12 |
| 03/30 | 90-1047-1 | 45. Haverhill Housing Authority | 90-3070-8 | 03/30 |
| 04/12 | 90-1047-1 | 46. Hingham Housing Authority | 90-674-2 | 04/12 |
| 03/02 | 90-1047-1 | 47. Holbrook Housing Authority | 90-3052-8 | 03/02 |
| 01/29 | 90-1047-1 | 48. Holliston Housing Authority | 90-667-1 | 01/29 |
| 06/26 | 90-1047-1 | 49. Hull Redevelopment Authority | 90-684-2 | 06/26 |
| 02/26 | 90-1047-1 | 50. Lenox Housing Authority | 90-692-1 | 02/26 |
| 04/27 | 90-1047-1 | 51. Lexington Housing Authority | 90-3050-8 | 04/27 |
| 03/30 | 90-1047-1 | 52. Lynn Housing Authority | 90-3048-8 | 03/30 |
| 05/18 | 90-1047-1 | 53. Mansfield Housing Authority | 90-704-1 | 05/18 |
| 01/22 | 90-1047-1 | 54. Marshfield Housing Authority | 90-708-1 | 01/22 |
| 05/17 | 90-1047-1 | 55. Mass. Bay Transportation Authority - Advisory Board | 90-4004-3 | 05/17 |
| 05/29 | 90-1047-1 | 56. Mass. Bay Transportation Authority - Southwest Corridor Project | 89-583-5 | 05/29 |
| 03/07 | 90-1047-1 | 57. Mass. Convention Center Authority | 90-1272-3 | 03/07 |
| 02/08 | 90-1047-1 | 58. Mass. Government Land Bank | 88-340-5 | 02/08 |
| 05/03 | 90-1047-1 | 59. Mass. Housing Finance Agency | 89-141-6 | 05/03 |
| 06/29 | 90-1047-1 | 60. Mass. Water Resources Authority - Management Letter (EDP) | 89-1323-4 | 06/29 |
| 05/15 | 90-1047-1 | 61. Maynard Housing Authority | 90-3004-8 | 05/15 |
| 03/02 | 90-1047-1 | 62. Medfield Housing Authority | 90-711-1 | 03/02 |
| 03/02 | 90-1047-1 | 63. Merrimac Housing Authority | 90-3062-8 | 03/02 |
| 05/23 | 90-1047-1 | 64. Methuen Housing Authority | 90-3082-8 | 05/23 |
| 06/04 | 90-1047-1 | 65. Milton Housing Authority | 90-1044-2 | 06/04 |
| 04/12 | 90-1047-1 | 66. Nahant Housing Authority | 90-728-2 | 04/12 |
| 06/20 | 90-1047-1 | 67. North Brookfield Housing Authority | 90-901-2 | 06/20 |
| 02/02 | 90-1047-1 | 68. North Reading Housing Authority | 90-3021-8 | 02/02 |
| 04/30 | 90-1047-1 | 69. Norton Housing Authority | 89-747-1 | 04/30 |
| 04/30 | 90-1047-1 | 70. Orleans Housing Authority | 89-750-1 | 04/30 |
| 05/03 | 90-1047-1 | 71. Palmer Housing Authority | 90-752-1 | 05/03 |
| 06/08 | 90-1047-1 | 72. Pembroke Housing Authority | 90-3063-8 | 06/08 |
| 04/25 | 90-1047-1 | 73. Pepperell Housing Authority | 90-1071-1 | 04/25 |
| 05/24 | 90-1047-1 | 74. Pioneer Valley Planning Commission | 90-575-2 | 05/24 |
| 05/08 | 90-1047-1 | 75. Plainville Housing Authority | 90-759-1 | 05/08 |

Authority Audits

| ISSUE DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|------------|--------------|--------------------------------------------------------------|--------------|------------|
| 05/07 | 90-1049-2 | 76. Provincetown Housing Authority | 90-1049-2 | 05/07 |
| 03/02 | 90-3039-8 | 77. Quincy Housing Authority | 90-3039-8 | 03/02 |
| 03/02 | 90-3020-8 | 78. Revere Housing Authority | 90-3020-8 | 03/02 |
| 06/20 | 90-766-2 | 79. Rockland Housing Authority | 90-766-2 | 06/20 |
| 04/18 | 90-771-1 | 80. Sandwich Housing Authority | 90-771-1 | 04/18 |
| 04/18 | 90-3073-8 | 81. Scituate Housing Authority | 90-3073-8 | 04/18 |
| 05/29 | 90-782-2 | 82. South Hadley Housing Authority | 90-782-2 | 05/29 |
| 03/02 | 90-3065-8 | 83. Stoughton Housing Authority | 90-3065-8 | 03/02 |
| 06/26 | 90-790-2 | 84. Stoughton Redevelopment Authority | 90-790-2 | 06/26 |
| 04/12 | 90-872-2 | 85. Templeton Housing Authority | 90-872-2 | 04/12 |
| 05/03 | 90-798-2 | 86. Uxbridge Housing Authority | 90-798-2 | 05/03 |
| 03/23 | 90-3034-8 | 87. Wakefield Housing Authority | 90-3034-8 | 03/23 |
| 02/26 | 90-3051-8 | 88. Ware Housing Authority | 90-3051-8 | 02/26 |
| 06/20 | 90-807-2 | 89. Webster Housing Authority | 90-807-2 | 06/20 |
| 04/02 | 90-3059-8 | 90. West Springfield Housing Authority | 90-3059-8 | 04/02 |
| 06/29 | 90-3102-8F | 91. Westfield Housing Authority (EDP) | 90-3102-8F | 06/29 |
| 03/23 | 90-3368-2 | 92. Weymouth Housing Authority - Maloney Properties, Inc. | 90-3368-2 | 03/23 |
| 05/07 | 90-855-2 | 93. Winchendon Housing Authority | 90-855-2 | 05/07 |
| 06/15 | 90-3066-8 | 94. Winchester Housing Authority | 90-3066-8 | 06/15 |
| 06/20 | 90-822-2 | 95. Winthrop Housing Authority | 90-822-2 | 06/20 |
| 01/12 | 90-3016-8 | 96. Woburn Housing Authority | 90-3016-8 | 01/12 |
| 01/09 | 89-3029-8 | 97. Yarmouth Housing Authority | 89-3029-8 | 01/09 |

Education Audits

| AUDIT DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|---------------|-----------------|------------------------------------------------------------------------------------------------|-----------------|---------------|
| 02/00 | 90-177-2 | 1. Bridgewater State College - Federal Student Financial Assistance Programs | 90-177-2 | 02/13 |
| 03/00 | 90-192-2 | 2. Bunker Hill Community College - Federal Student Financial Assistance Programs | 90-192-2 | 03/05 |
| 04/00 | 90-178-2 | 3. Fitchburg State College - Federal Student Financial Assistance Programs | 90-178-2 | 04/05 |
| 01/00 | 89-194-1 | 4. Greenfield Community College | 89-194-1 | 01/09 |
| 04/00 | 90-194-2 | 5. Greenfield Community College - Federal Student Financial Assistance Programs | 90-194-2 | 04/23 |
| 06/00 | 90-0194-4C | 6. Greenfield Community College - (EDP) | 90-0194-4C | 06/06 |
| 03/00 | 89-195-1 | 7. Holyoke Community College | 89-195-1 | 03/28 |
| 04/00 | 90-196-2 | 8. Mass. Bay Community College - Federal Student Financial Assistance Programs | 90-196-2 | 04/11 |
| 05/00 | 90-0181-4X | 9. Mass. College of Art - Colleague System (EDP) | 90-0181-4X | 05/11 |
| 04/00 | 90-181-2 | 10. Mass. College of Art - Federal Student Financial Assistance Programs | 90-181-2 | 04/12 |
| 02/00 | 90-199-2 | 11. Middlesex Community College - Federal Student Financial Assistance Programs | 90-199-2 | 02/22 |
| 03/00 | 90-203-2 | 12. Quinsigamond Community College - Federal Student Financial Assistance Programs | 90-203-2 | 03/05 |
| 05/00 | 90-1270-4F | 13. Regents' Computer Network (EDP) | 90-1270-4F | 05/02 |
| 05/00 | 90-204-7 | 14. Roxbury Community College - Federal Student Financial Assistance Programs | 90-204-7 | 05/04 |
| 04/00 | 90-184-2 | 15. Salem State College - Federal Student Financial Assistance Programs | 90-184-2 | 04/11 |
| 03/00 | 90-210-2 | 16. Southeastern Massachusetts University - Federal Student Financial Assistance Programs | 90-210-2 | 03/06 |
| 05/00 | 90-3329-1 | 17. Southeastern Massachusetts University - Office of Grants & Contracts | 90-3329-1 | 05/07 |
| 04/00 | 90-205-2 | 18. Springfield Technical Community College - Federal Student Financial Assistance Programs | 90-205-2 | 04/11 |
| 04/00 | 90-4012-3 | 19. University of Massachusetts/Amherst - College of Food & Natural Resources | 90-4012-3 | 04/16 |
| 02/00 | 89-186-1 | 20. Worcester State College | 89-186-1 | 02/20 |
| 06/00 | 90-086-4X | 21. Worcester State College - Colleague System (EDP) | 90-086-4X | 06/26 |

Human Services Audits

| ISSUE DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|---------------|-----------------|----------------------------------------------------------------------|-----------------|---------------|
| 02/13 | 89-4013-2 | 1. Boston Center for Independent Living, Inc. | 89-4013-2 | 03/26 |
| 02/26 | 89-6019-9 | 2. Brockton Multi-Service Center | 89-6019-9 | 02/26 |
| 05/29 | 89-248-7 | 3. Cushing Hospital | 89-248-7 | 05/29 |
| 02/13 | 89-5004-3 | 4. Department of Correction - Inmate Funds | 89-5004-3 | 02/13 |
| 04/23 | 90-246-2 | 5. Department of Mental Health - Cambridge/Somerville Area Office | 90-246-2 | 04/23 |
| 02/26 | 89-237-7 | 6. Department of Mental Health - Region I | 89-237-7 | 02/26 |
| 01/19 | 89-238-7 | 7. Department of Mental Health - Region II | 89-238-7 | 01/19 |
| 02/28 | 89-5005-9 | 8. Department of Mental Retardation - Third Party Billing | 89-5005-9 | 02/28 |
| 01/24 | 88-4004-3 | 9. Department of Public Welfare - Emergency Assistance Program | 88-4004-3 | 01/24 |
| 02/09 | 88-4001-3 | 10. Department of Social Services - Basic Day Care Programs | 88-4001-3 | 02/09 |
| 04/03 | 88-4002-3 | 11. Executive Office of Elder Affairs - Home Care Program | 88-4002-3 | 04/03 |
| 04/11 | 89-6016-9 | 12. Haverhill Day Care Center | 89-6016-9 | 04/11 |
| 05/09 | 90-299-1 | 13. Lakeville Hospital | 90-299-1 | 05/09 |
| 02/16 | 90-1310-1 | 14. Lancaster Pre-Release Center | 90-1310-1 | 02/16 |
| 04/12 | 90-1311-2 | 15. Medfield Prison Project | 90-1311-2 | 04/12 |
| 06/29 | 90-888-2 | 16. Norfolk Pre-Release Center | 90-888-2 | 06/29 |
| 01/25 | 90-1274-1 | 17. North Central Correctional Institution | 90-1274-1 | 01/25 |
| 02/13 | 89-4008-1 | 18. Office for Children | 89-4008-1 | 02/13 |
| 06/28 | 90-265-2 | 19. Quincy Mental Health Center | 90-265-2 | 06/28 |
| 06/19 | 90-304-7 | 20. Tewksbury Hospital | 90-304-7 | 06/19 |

Judiciary/Law Enforcement Audits

| DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|-------|--------------|----------------------------------------------------------------------------|--------------|------------|
| 03/01 | 89-1189-1 | 1. Barnstable District Court | 89-1189-1 | 03/01 |
| 02/13 | 89-1118-1 | 2. Barnstable Superior Court | 89-1118-1 | 02/13 |
| 01/30 | 89-1103-1 | 3. Board of Bar Examiners | 89-1103-1 | 01/30 |
| 05/10 | 88-1210-2 | 4. Boston Housing Court | 88-1210-2 | 05/10 |
| 02/16 | 88-1131-1 | 5. Boston Municipal Court | 88-1131-1 | 02/16 |
| 05/16 | 90-1264-1 | 6. Bristol County District Attorney's Office | 90-1264-1 | 05/16 |
| 01/30 | 90-1249-1 | 7. Bristol County Division- Juvenile Court Department | 90-1249-1 | 01/30 |
| 01/30 | 88-5011-9 | 8. Condition of Court Facilities | 88-5011-9 | 01/30 |
| 06/28 | 89-6012-9 | 9. Criminal Justice Training Council | 89-6012-9 | 06/28 |
| 04/24 | 88-5010-3 | 10. Implementation of Victim & Witness Assistance Law | 88-5010-3 | 04/24 |
| 02/13 | 88-1110-1 | 11. Middlesex Superior Court | 88-1110-1 | 02/13 |
| 04/03 | 89-1112-1 | 12. Norfolk Superior Court | 89-1112-1 | 04/03 |
| 01/09 | 90-1260-1 | 13. Northwestern District-District Attorney's Office | 90-1260-1 | 01/09 |
| 05/30 | 90-1106-4C | 14. Office of Chief Administrative Justice - (EDP) | 90-1106-4C | 05/30 |
| 02/07 | 89-5010-2 | 15. Office of the Chief Administrative Justice - Land/Building Transfer | 89-5010-2 | 02/07 |
| 02/08 | 89-1216-1 | 16. Office of the Jury Commissioner | 89-1216-1 | 02/08 |
| 05/16 | 90-154-1 | 17. Parole Board | 90-154-1 | 05/16 |
| 03/28 | 90-1265-1 | 18. Plymouth County District Attorney's Office | 90-1265-1 | 03/28 |
| 02/13 | 89-1234-1 | 19. Plymouth Probate & Family Court | 89-1234-1 | 02/13 |
| 02/13 | 88-1221-1 | 20. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 21. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 22. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 23. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 24. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 25. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 26. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 27. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 28. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 29. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 30. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 31. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 32. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 33. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 34. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 35. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 36. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 37. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 38. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 39. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 40. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 41. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 42. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 43. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 44. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 45. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 46. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 47. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 48. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 49. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 50. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 51. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 52. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 53. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 54. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 55. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 56. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 57. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 58. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 59. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 60. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 61. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 62. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 63. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 64. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 65. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 66. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 67. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 68. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 69. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 70. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 71. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 72. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 73. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 74. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 75. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 76. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 77. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 78. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 79. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 80. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 81. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 82. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 83. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 84. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 85. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 86. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 87. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 88. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 89. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 90. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 91. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 92. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 93. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 94. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 95. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 96. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 97. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 98. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 99. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |
| 02/13 | 88-1221-1 | 100. Suffolk Probate & Family Court | 88-1221-1 | 02/13 |

Other Audits

| AUDIT DATE | AUDIT NUMBER | AUDIT | AUDIT NUMBER | ISSUE DATE |
|---------------|-----------------|---------------------------------------------------------------------------|-----------------|---------------|
| 08/01 | 89-1153-1 | 1. Appellate Tax Board | 89-143-1 | 02/07 |
| 02/12 | 89-1113-1 | 2. Community Antenna Television Commission | 89-836-7 | 02/12 |
| 02/30 | 89-1103-1 | 3. Department of Commerce & Development | 89-133-1 | 02/13 |
| 02/22 | 89-1103-2 | 4. Department of Environmental Quality Engineering - Tipping Fees | 90-457-5 | 02/22 |
| 04/24 | 89-1181-1 | 5. Department of Public Utilities | 90-307-2 | 04/24 |
| 02/12 | 90-1204-1 | 6. Department of Revenue | 89-142-1 | 02/12 |
| 03/16 | 90-1249-1 | 7. Department of Revenue - (EDP) | 90-0142-4C | 03/16 |
| 06/08 | 89-1003-8 | 8. Division of Administrative Services - Purchasing Agent's Division | 90-24-7 | 06/08 |
| 03/07 | 89-1012-9 | 9. Division of Banks & Loan Agencies | 90-100-1 | 03/07 |
| 06/19 | 89-1012-9 | 10. Division of Fisheries & Wildlife | 90-279-1 | 06/19 |
| 03/16 | 89-1113-1 | 11. Division of Registration | 90-5008-1 | 03/16 |
| 01/26 | 89-1113-1 | 12. Division of Standards | 90-226-1 | 01/26 |
| 02/09 | 90-1204-1 | 13. Energy Facilities Siting Council | 90-421-1 | 02/09 |
| 02/28 | 89-1103-4C | 14. EPA Construction Grant - Grafton | 89-3356-1 | 02/28 |
| 02/07 | 89-1014-5 | 15. EPA Construction Grant - Longmeadow | 89-3043-1 | 02/07 |
| 04/25 | 89-1214-1 | 16. EPA Construction Grant - New Bedford | 90-3044-1 | 04/25 |
| 02/09 | 89-1214-1 | 17. EPA Construction Grant - Rockport | 89-3354-1 | 02/09 |
| 01/12 | 89-1214-1 | 18. EPA Construction Grant - Rockport | 89-3355-1 | 01/12 |
| 01/12 | 89-1214-1 | 19. EPA Construction Grant - Weymouth | 89-3357-1 | 01/12 |
| 06/28 | 89-1214-1 | 20. EPA Construction Grant - Worcester | 90-3045-1 | 06/28 |
| 01/17 | 89-1214-1 | 21. FAA Planning Grants - Mass. Aeronautics Commission | 90-3030-2 | 01/17 |
| 02/23 | 89-37-1 | 22. George E. Fingold State Library | 89-37-1 | 02/23 |
| 03/21 | 90-6014-9 | 23. Group Insurance Commission | 90-6014-9 | 03/21 |
| 01/18 | 90-0040-4C | 24. Group Insurance Commission - (EDP) | 90-0040-4C | 01/18 |
| 06/07 | 90-1273-2 | 25. Hazardous Waste Facility Site Safety Council | 90-1273-2 | 06/07 |
| 06/07 | 90-1282-2 | 26. Mass. Arts Lottery Council | 90-1282-2 | 06/07 |
| 05/29 | 89-161-1 | 27. Mass. Council on the Arts & Humanities | 89-161-1 | 05/29 |
| 03/08 | 90-12-1 | 28. Mass. Firefighting Academy | 90-12-1 | 03/08 |
| 04/05 | 90-83-1 | 29. Mass. Historical Commission | 90-83-1 | 04/05 |
| 06/15 | 90-884-7 | 30. Office of Management Information Systems | 90-884-7 | 06/15 |
| 06/29 | 90-0028-4Z | 31. Office of Management Information Systems - Management Letter (EDP) | 90-0028-4Z | 06/29 |
| 06/20 | 90-288-2 | 32. Public Access Board | 90-288-2 | 06/20 |
| 02/07 | 89-1315-1 | 33. Public Employee Retirement Administration | 89-1315-1 | 02/07 |
| 05/17 | 89-6008-9 | 34. Report on Agency Audit Activity | 89-6008-9 | 05/17 |
| 02/20 | 89-969-1 | 35. State Election Campaign Fund | 89-969-1 | 02/20 |
| 01/12 | 89-89-1 | 36. State Lottery Commission | 89-89-1 | 01/12 |
| 04/03 | 89-6015-9 | 37. Telephone Systems of the Commonwealth | 89-6015-9 | 04/03 |
| 01/19 | 88-5016-9 | 38. Universal Health Care Programs | 88-5016-9 | 01/19 |
| 04/23 | 89-5001-9 | 39. Year End Closing - Encumbrance & Advance Fund Management | 89-5001-9 | 04/23 |

Appendix II

Division of Local Mandates: Determinations & Cost Studies

Other Audits

| LAW, RULE, REGULATION, OR LEGISLATION | ISSUE | AUDIT NUMBER | ISSUE DATE |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------|
| G.L. c. 15, s. 50 | An Act Setting Forth the Duties of the Board of Education in Establishing and Implementing a Statewide Testing Program for Public School Students | 88-123-1 | 02/13 |
| 603 CMR 28.103 | Regulation Relative to Eligibility of Preschool Children for Special Education Services Under G.L. c. 71B, for the Fiscal Years 1988-1990 | 88-123-1 | 04/74 |
| 603 CMR 28.315.1 | Regulation Relative to School Principal's Duty to Notify Parents of Their Right to Refer Certain "At Risk" Children for a Special Needs Evaluation | 88-123-1 | 05/74 |
| 603 CMR 28.319.3(a) | Regulation Relative to Requirement that School Nurses Review the Physician's Health Assessment Component of Special Needs Evaluations | 88-123-1 | 05/74 |
| Massachusetts Board of Regents of Higher Education College Admissions Standards | Requiring Students to Complete Two Years of a Foreign Language | 88-123-1 | 05/74 |
| House No. 4105 | An Act Further Regulating Historic Districts | 88-123-1 | 05/74 |
| Senate No. 502 | An Act Relative to Regional Health Districts | 88-123-1 | 05/74 |
| Senate No. 563 | An Act Providing Suitable Recognition of Those Residents of Massachusetts Who Shall Have Served in the Armed Forces of the United States During the "Lebanese Peace Keeping" and the "Grenada Rescue Mission" | 88-123-1 | 05/74 |
| Senate No. 952 | An Act to Establish a Merrimack River District | 88-123-1 | 05/74 |
| Senate No. 1160 | An Act to Produce Uniformity in Production of Certified Payroll Records and to Increase the Application of Certain Laws Relating to Public Works | 88-123-1 | 05/74 |
| Senate No. 1515 | An Act Relative to the Employment Security Law | 88-123-1 | 05/74 |
| Draft Legislation | An Act to Provide Property Tax Exemptions for Disabled Individuals | 88-123-1 | 05/74 |
| G.L. c. 41, s. 108L | Requirement Mandating Municipalities to Provide Funding for the Police Career Incentive Program | 88-123-1 | 05/74 |

RESULT

FUNDING

| | |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Mandate | Commonwealth Deficient in Payment to the City of Worcester From Fiscal Years 1987-1990 in the Amount of \$ 267,624.00 |
| Mandate | Commonwealth Deficient in Payment to the City of Worcester From Fiscal Years 1987-1990 in the Amount of \$92,030.00 |
| Mandate | Commonwealth Deficient in Payment to the City of Worcester From Fiscal Years 1987-1990 in the Amount of \$114,105.00 |
| Mandate | Commonwealth Deficient in Payment to the City of Worcester From Fiscal Years 1987-1990 in the Amount of \$24,692.00 |
| Mandate | Commonwealth Deficient in Payment to the City of Worcester From Fiscal Years 1987-1990 in the Amount of \$486,574.00 |
| Mandate, Statewide Cost Estimate Provided to the Joint Committee on Local Affairs | \$10,800 Estimated Cost to 75 Municipalities |
| No Mandate, Local Acceptance Provision | Not Applicable |
| No Mandate, Incidental Cost Impact | Not Applicable |
| Mandate, Potential to Impose Cost | Submitted Mandate Determination for Legislative Consideration |
| No Mandate, Incidental Cost Impact | Not Applicable |
| No Mandate, Incidental Cost Impact | Not Applicable |
| Mandate, Potential to Impose Costs | Submitted Mandate Determination for Legislative Consideration |
| No Mandate, Pre-1981 Mandate | Not Applicable |

LAW, RULE, REGULATION,
OR LEGISLATION

ISSUE

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 310 CMR 22.16 | Regulations Concerning Drinking Water Contamination |
| 105 CMR 171.000 | Regulations Requiring Police and Fire Personnel to Complete Initial and Refresher Training Programs in First Aid and Cardiopulmonary Resuscitation |
| 527 CMR 9.22 | Regulations Concerning Underground Storage Tanks That are Abandoned or Temporarily Out of Service |
| Chapter 567, Acts of 1989 | An Act Requiring the Registrars of Voters to Accept Affidavits of Registration From Residents of Any City or Town in the Commonwealth |
| Chapter 204, Acts of 1989 | An Act to Create a Trial by Mail System of Adjudicating Parking Tickets |
| Proposed Regulations | Massachusetts Criminal Justice Training Council Regulations Concerning In-service Training for Full-time Police Officers |
| 310 CMR 22.22 | Regulations Concerning Compliance with the Backflow Prevention Device Requirements |
| Chapter 39, Acts of 1984 | An Act Further Defining Federal Service Personnel for Voting Purposes to Include Certain Persons Confined |

RESULT

FUNDING

No Mandate, the Consumer Notification Provisions are Ultimately Mandated by the U.S. Environmental Protection Agency

Not Applicable

No Mandate, Pre-1981

Not Applicable

Mandate

Costs of the Removal Should Be Assumed by the Commonwealth

Mandate, Cost Potential in Cities and Towns With High Volume, Non-Resident Voter Registration

Statewide Costs to be Reimbursed by the Commonwealth Once Known

No Mandate, Amendment Does Not Significantly Impact Original Statute Which Contained Local Acceptance Provision

Not Applicable

Mandate

Assistance Offered in State-wide Cost Study

No Mandate, Pre-1981

Not Applicable

This Law Resulted From a Court Decision. G.L. c.29, s. 27C Does Not Apply to Such Laws [See Subsection (g)]

Not Applicable

